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## ADMINISTRATION AND THE PEOPLE

[Text of the address delivered by Dr. S. Radhakrishnan, Vice-President of India, on the First Annual Day of the Indian School of Public Administration, New Delhi, on the 20th November, 1959.]

I AM very happy to be here today when your students are receiving their diplomas and prizes for the first time in the history of the Indian School of Public Administration. You have seasoned administrators here. If anything I am an administrator by accident. I happened to be the Head of an Embassy for a few years and Head of a University for 10 or 12 years. That is the only experience which I have of administration.

I hope the students who have received their diplomas today will have had not only adequate training but also developed a comprehensive social vision and enthusiasm for the new society which we are trying to construct.

That Administration is a very essential part of any civilized society, goes without saying. You look at France. She has had a number of governments after the close of the Second World War, but she is leading a normal existence because of the continuity and strength of her administration. Ministers come and change, Governments are established today and are altered the next day, but administration is something which gives stability to the life of a country.

The establishment of this Institute and the work that it has been doing in the way of seminars, lectures, conferences and the School which it has established—all these things indicate that we also are recognising the importance of administration in our society.

Shri V.T. Krishnamachari explained to you how for decades our administrators had one particular view, how now, after the attainment of Independence, our objectives have changed and our administrators have also to adjust themselves to the new conditions. They are not merely maintainers of law and order; they are also people

who believe in social justice and progress. They are interested in pushing our society forward. That is the work which administrators are expected to do. I hope our administrators do that.

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One day when I was talking to Shri Krishnamachari, he explained to me how, when he was the Collector of a district 30 or 40 years ago, he used to go to the people, mix with them and protect them from the lower officials who were inclined to harass them. *Administrators are not to regard themselves as a privileged class. They are not to grow into bureaucrats. They are the people who must understand the needs and aspirations of the common man and woman and try to protect them from themselves and from the petty officials who are inclined to harass them and show their authority, however brief, by giving them all sorts of trouble.* The petty officials tend to make a nuisance of themselves and bring a bad name to the Government of which they happen to be the representatives in the local areas. It is for the administrators to execute the decisions and the policies of the Government. Much will depend on how the administrators execute them. A good Government may lay down excellent policies but the administrators may defeat all those policies in detail and make us look awkward before the world. So the administrators must make the Government itself popular in the eyes of the people by taking into account the motives which actuated the Government in the enunciation of the policies and also explain to the common people what those policies are and what the intentions are.

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I am glad to know that you have had some Visiting Professors here who would have no doubt told you how with different objectives, different schemes of administration with different methods and procedures are being implemented in their respective countries. It is not possible for us to copy those things exactly, but if we have flexibility of mind, we may take whatever is of value there and adapt those things to our existing conditions. At the present moment, in our country, when the activities of the Government are expanding, and when we are increasing the administrative personnel, when we are having so many public services and public enterprises, the responsibility of administrative personnel is very great. We read in the papers, we hear in the lobbies, complaints about work not being carried out according to strict standards of propriety and fairplay. It is not right for us to dismiss all such complaints as imaginary, as fantastic. *No Government can be indifferent to the complaints which are made by*

ordinary people who suffer from maladministration. No Government can turn a blind eye to them, because slowly the reputation of the Government itself will sink and social upheavals will be brought about.

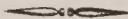
If you look at the conditions precedent to social disturbances whether in the Soviet Union, China, Egypt, anywhere, you will see the three precedent conditions are : weakening of national leadership, corruption in administration, and economic chaos. When these conditions happen, people will prefer a revolution to no revolution. They will say that anything is better than the present order of society. Therefore, a clean administration—a good government—must be regarded as essential for any civilised state. If we are to maintain political stability, if we are to improve the economic conditions of our people, the role which the administrators have to play is a significant one and is a very important one. They must make the ordinary people—the poorest and the lowliest—feel proud that they belong to this country. They must feel that they are not there merely to lord over them but they are essentially servants of the people. It is this new ethos that has to be imparted to our administrative cadres in the modern conditions of our country.

It was a great pleasure for me when I went round to see that a good part of liberal education is also being imparted to the students of administration at your School. I saw the volumes of the Encyclopaedia of Religion and Ethics. You are conscious of the fact that man is something more than bone and muscle, flesh and blood, nerves and complexes, that there is an inward core in him which is common to all men whereas the outer distinctions are contingent. So it is that presence of a universal core which gives dignity and freedom to the human individual, which requires us to look upon the individuals as sparks of spirit, which is common to all people. Our conditions may be varied, our brains may be of different types, but there is something which is constant in all individuals—high or low. It is this which gives us the idea of the equality of man, his human dignity, his freedom.

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Again we are inclined to think nowadays that there is no freedom for us, that impersonal forces are operating, that administrators cannot do very much—why administrators, nobody, for example, can do very much. I may tell you it is not completely true. The human hand has five fingers. Why? It may be irrational—it may be arbitrary. It is something given to us. But what we do with that hand of five fingers, whether we write or paint, whether we model or sculpt, that depends upon ourselves. There is scope for human freedom though there are certain elements which are given to us. So, whereas the initial equipment—the original endowment with which we are born

may be there given to us, within that framework the human will is free to bring about any kind of thing which it chooses to bring about. In the same way, the conditions of our country are given to us, the raw material is there, but what we will do with that raw material does not depend on the stars or destiny but it depends on each one of us—how we apply ourselves to the tasks which we are assigned. It is my great anxiety that in this country *we should have administrative integrity first, efficiency next, economy third.* If we have these things as our motto, with these conditions we will be able to build a happier Indian society. I have no doubt about it and I think that these young men who are going out will discharge their functions with efficiency and honesty. I wish them well in life.



"If a wide general knowledge is useful, even more valuable is a knowledge of people. It is very important that the young administrator should not retire into his shell when he leaves his office, but should mix with all kinds and conditions of people. From them he will learn things that are not in his files. Sooner or later, if he reaches his rank, it will be his job to help his Minister to choose people for all kinds of work, and the wider his knowledge of men and affairs the more valuable his advice will be."

—SIR HAROLD SCOTT  
(in "*Your Obedient Servant*")

## **DELEGATION AND ACCOUNTABILITY\***

*S. S. Khera*

I HAVE put the subject down as "Delegation and Accountability", because I think that over a very large area of managerial and administrative responsibility, the two things go together. I will mention a few points about the concept of delegation and I follow that with some features about accountability.

### **DELEGATION IS INEVITABLE TO ANY GROUP FUNCTIONING**

To my mind, delegation and the need for delegation is something that is quite inevitable. It is inevitable as a means and method to a particular end, namely, the performance of functions in any organisation. Delegation is inevitable, whenever more than one person has to be associated in the performance of a function. This is an elementary feature of all activity. As to accountability, I will limit my reference to it as consisting of, firstly, a corollary to the inevitable fact of delegation—and within the framework, content and limitations of delegation as the parameter, neither more nor less; and secondly, accountability as required by law.

### **DELEGATION AND DECENTRALISATION**

As partly defining what I mean when I speak about delegation, I would distinguish delegation quite sharply from decentralisation. It is an aspect of decentralisation of decentralised working. But quite simply, and to enable me to convey clearly or put across what I would like to say, I may define delegation as something limited to and by what is delegated. I distinguish it from decentralisation, taking decentralisation as something that includes what is delegated plus other things which are not delegated, but are mainly the consequences of the processes of law. For instance, there is a decentralisation of function, responsibility and authority under our Constitution. There is also a decentralisation of function and authority and of resources, under statute law, under various laws passed by Parliament from time to time. When speaking of delegation, I do not refer to these at all; more particularly because such decentralised function, authority and responsibility do not yield as a necessary corollary that accountability which forms an essential feature of delegation as such.

\*From the proceedings of the Fifth Management Conference, held in January 1959, with the courtesy of the Ahmedabad Textile Industry's Research Association.

### A PRINCIPLE AND ITS PRACTICE

Now, with these preliminary remarks, which you may well interpret as an attempt to beg at least part of the main question, but are really not intended as such, I will proceed to mention some features of delegation which to my mind need considering. First of all, there is a tendency for everyone to agree very readily in principle about delegation. You have to have it. You cannot do without it. In practice, however, I find this very readiness proves to be somewhat self-defeating. The matter ends at that agreement; and there is a clear reluctance time and again to put it into practice, to actually delegate. I think it would be worthwhile pursuing this. How is it? Why does this happen? What are the factors which limit the performance of something that receives such universal accord in principle? Because, both the acceptance of the principle, as well as the tendency not to put it into practice, appear in my experience, to be fairly universal.

Now I would like to mention a feature which again is fairly common. We all believe in decentralisation. I believe in it. The man next door believes in it. But what kind of decentralisation? When it comes to it, I say, "Decentralise to me". The argument, the effort, the struggle, is always to have things decentralised to the point which is arguing, or struggling or making the effort at decentralisation. It is accompanied by a fairly universal lack of applying the same principle further along the line, of passing on the authority, function and responsibility.

There are certain arguments which I think will bear being looked at fairly squarely, which are offered as limitations upon the delegating of function, responsibility and authority. I mention these, not because they have only been thought up as possible arguments or objection. I limit myself to mentioning only those arguments which have appeared in actual cases in my own experience where a defence has been put up for either failure or reluctance or even a downright refusal to delegate, in circumstances when everything, and certainly the due performance of the function and the attaining of the end dictated that there should be considerable delegations of authority and responsibility and function.

### DELEGATION TO THE INEXPERIENCED

Firstly, a series of arguments that is offered is that the person, or the party, or the level to which it is suggested, or about which the pressure is put on that delegation should be made, is lacking in experience. That is one of the most common arguments. Again and again, particularly in the field of new projects, in the field of district

administration, and in Governmental hierarchies, I have come across this. "The new officers are too inexperienced; they are too young; they are too new. They have not yet had enough experience and training"; and so on and so forth. I submit that the true answer to all that is that the best experience that any level can attain, is experience gained by performing the function and discharging the responsibility. Those of us who have lived under the older political regime know perfectly well that lack of experience was one of the major arguments which was always used in support of a reluctance to transfer authority of any kind and at any level whatsoever—not merely at the political level. If the last 12 years or so have demonstrated anything to me really conclusively, it is this, that the one way to attain this experience, and to get over this lack of experience, is to do the thing, to do the job.

#### QUALITY OF EXECUTION AT LOWER LEVELS OF DELEGATION

A second line of argument often put forward is an alleged lack of ability. I referred to it when I referred to lack of experience. This is a nasty one, and a dangerous one. Of course, if I am the manager of a mill, or a district magistrate or a Secretary to the Government of India, I can do a case better, or deal with a case better than my assistant can. Of course I can ! I have a longer experience, and have a wider range of information, wider access to lines of communication. The true answer to the argument is to accept the fact quite frankly, namely, that delegated authority will often, and even normally, be exercised by parties and at levels which are of a lesser ability than the party delegating it. I personally would not be reluctant to state and accept this position. If I have a boss, of course he can do my job better than I can, and I would have no reluctance or hesitation in saying so. I would consider it a complete *non sequitur*, however, if it were used as an argument against delegating to me, or from me downwards. A higher authority may do something that someone else, a lower authority, could do even perhaps not so well; but it will inevitably lead to the higher authority failing to give due attention to those even more important matters which it could not rightly delegate.

#### "I AM RESPONSIBLE. HOW COULD I DELEGATE?"

Thirdly, this is a rather lovely one, this comes oftener than one would think; the manager or official uses this argument. "I am responsible; I have to discharge this responsibility; how can I delegate it ? Therefore since I would have to watch its performance so closely as to amount to doing it myself—he is the type that breathes down his subordinates' necks !—how could I delegate without also abandoning

my responsibility?" The answer is so obvious, that I won't labour it. His is a second line of responsibility which he ought to discharge, while abiding by and making effective, the principle of delegation.

#### FAILURE TO EXERCISE DELEGATED AUTHORITY

One feature of delegation might surprise some; but it is so recurrent as to constitute a fair problem. This is a frequent and recurring failure to exercise delegated authority. I won't call it universal, but it seems to be so frequent that it cannot be ignored. There seems to be, and I have known it happen time and again, a clear failure to exercise fully and freely the authority which is delegated. A tendency to run and ask, if it is all right. A tendency to refer up. Of course, it is somewhat flattering when one's assistant comes up and says "I like your advice on this". It is tempting to say that such and such is the way to do it. The danger is that once that begins to happen, then you may as well take away the delegation entirely. The district magistrate who is answerable under the law, for maintenance of law and order in his district, who gets on to the telephone to the State headquarters and asks "Now, what shall I do?" (or it is even worse, though it might not seemingly be so : "Is it all right, what I am doing?") is doing a dangerous thing. This is my own experience as a district magistrate. I have found it equally in State enterprises. As Chairman of one Board of Directors, over three years I can remember certainly half-a-dozen cases in which matters came to the Board, which somebody or other on the Board is perfectly happy and willing to have discussed by the Board, and decided upon by the Board. But under the list of delegations, it was the clear responsibility of the Managing Director to take them up and act on his own. The same has happened with a number of other Boards with which I have been associated as a Chairman or Director, and it is happening today. I think that this feature may be worth picking up for field study either in a group of mills or in a group of offices as a problem in rendering effective the principle of delegation. It happens everywhere. It happens in an office, on the shop floor, in a district, and in a Government department.

#### ESSENTIALS OF DELEGATION

I will now attempt to set out what appear to me to be the essentials of delegation. There will no doubt be others. But these are the ones that arise out of my own experience and that I feel need to be stressed.

(i) Delegation as a Whole : Firstly, it is absolutely essential to delegation, that delegation should be regarded as a whole at every

point—as a whole including function, authority, power and responsibility. You cannot separate these things out. You cannot have somebody to whom authority has been delegated, say, "I have exercised this, I have inquired into the matter, I have made a report; I don't know what to do now". He has to array and examine the alternatives and to make a clear decision—certainly a clear recommendation, and be answerable for it as to what the ones best choice in the circumstances is, as it always will be. There never is a single decision which is before you, for you to say, "Yes or no". Normally, it is a matter of picking on one of several decisions you could make; and this is possible only if you are fully and truly seized of the function, the authority and the responsibility for the decision. I would say, therefore, that it is essential that delegation should be regarded as a whole at every point. Both the party delegating it, and the party to whom it is delegated, and all the levels and entities which have to deal with this, must regard delegation as a whole, and not in its various parts, of function separately, authority and power separately, and responsibility separately.

(ii) Resources : Secondly, delegation without authority and power, and above all without resources, is meaningless. That seems obvious, but the contrary happens again and again. Delegation must carry the power of decision. There is an experiment at present being carried out in Madras, where power—I hope, is being given to panchayats—not only the powers and responsibilities, but resources. Without resources, delegation on the whole is meaningless.

(iii) Risk of Error : It seems to me to be essential to delegation, to recognise the fact that decision carries the risk of error. Decision cannot be made without the risk of error. It is obvious when once it is said, but it is not so obvious in practice. My purpose in stressing it, and regarding it as an essential of delegation, is motivated by the fact that since error is inherent in decision, therefore there must be support for error. That is what compels the inclusion of the inevitability of error in decision making, as one of the essentials of delegation. I will come to it again when I speak of accountability. I think this need and demand, and the meeting of demand for support of error is essential to delegation.

(iv) Trust : The fourth essential component of delegation is trust. I think there is not nearly enough of it. I think that there is a need to recognise that delegation must contain trust, and trust simply means trust. It is very easy to trust a person who is sitting across a table. It is very much more difficult to trust him to go and make some mistake.

(v) Clarity : In the fifth place, I would emphasise that an essential feature of any delegation, to call it a delegation worth the name, is that it should be clear, and not equivocal. Too often is delegation of function, and of authority and responsibility equivocal. It is hedged in. It has many "ifs" and "buts". "When this happens, then this !" That is not delegation at all. It is delegation only to the extent that there is clear delegation. Now again, I would like to stress that upon this point, I am not drawing upon any *a priori* hypothesis at all. I am trying carefully to limit myself to those features which have been thrown up repeatedly in the course of experience gained both in field public administration, in the administration of industrial projects and more recently, in Central Government administration.

(vi) Breaking the Lines of Reporting : Finally a word about the maxim "*delegatus non potest delegare*". It is a legal maxim. A principal's agent cannot appoint an agent for the principal, without the principal's specific consent. That is very good in law. It is very good in business, so far as the law is concerned. But it is frequently stretched to beyond its own limitations, and sometimes, I regret to say, it is misused. It is misused as an instrument for interference in authority and function which has been delegated. I referred to it, in a different context earlier. But at that point, I referred to it without a clear reference to this particular maxim, which has been offered again and again. "I am responsible to the Parliament!" "I am responsible to the Minister!" "I am responsible to the shareholders!" or "I am responsible to the General Manager!" "Therefore, everything that lies in the pyramid below, is within my reach and I can put my hand right through anywhere and do it myself whenever I wish to or feel inclined to". Someone this morning said something about reaching out and getting information, and not having to go through the line. I was tempted then to say what I will say now, namely, that the necessity should not normally arise at all. Reporting upwards, sideways or downwards should be formalised to the fullest extent. There is no harm in it—certainly informal consultations are good, but equally certainly they should not replace formal and duly prescribed communication. I think delegated authority and delegated function and responsibility is best performed and carried out, and discharged, when it is left alone.

Having ended on this note of delegation, I go to its corollary; accountability; and start off by giving you a case—a case, which actually happened—where the Managing Director of a State Government concern, said, "I am not responsible, I am not answerable, I am not accountable !" "Why?" "I am not accountable

to the Board of Directors, because under the Articles of Association, my appointment is made by the Government and Government does not have to consult the Board of Directors. I am the Government appointee and that makes me independent of the Board of Directors. I am not responsible to Government; and, please look at the Articles of Association and company law. I am discharging my functions accordingly and cannot be questioned." Well, there is a short answer to that. And the short answer was given and was fairly effective.

#### RESPONSIBLE TO SOMEBODY

I start off straightaway by saying that when that kind of thing does happen, and the gentleman or the party to whom authority is delegated says, "I am responsible, go away", the true answer is that there is no such thing as "I am responsible" unless you are responsible to somebody, accountable to somebody other than yourself.

#### THE WATCHERS AND THE DOERS

Having said that and put myself on the side of these who demand accounting and answer, I would like to say at once, that I am also on the side of those who believe that we need more doers than watchers. Now there is a clear tendency to expand on the watchers and to restrict on the doers. I am very conscious of it. It is a tendency I find when I myself have to watch very frequently and that is where a real weakness comes in. It may be that this exactly is where the watching should be. There is a clear tendency—and a "piece of intellectual laziness"—to put on more watchers. You appoint a consultant for a project, and then somebody says, "he is all mixed up." Then you appoint another consultant above him. Now you have two consultants, and someone says there is a danger of their getting together. Then you appoint an adviser. By this time, financially, you cannot afford another consultant. There is thus a clear tendency to expand on the watchers and deny the doers. I am all for watching this business of expanding the watchers, and for making the mistakes in overstaffing on the doers.

Secondly, there is a need to distinguish between lines of authority, lines of reporting, lines of communication and lines of accounting. I think that although very largely they overlap, it may be worth while—it is only a tentative suggestion—taking up as an item for study, as to how far one can distinguish and in part separate out, from one another, the particular lines of exercising authority, of reporting, of communicating and of accounting.

Thirdly, on accountability, my own experience tells me that true accountability is a two-way—in fact a multi-way—process, and is a process in terms of relationship and of people. It is not a mechanical thing at all. All demands and labours to render it mechanical sooner or later fail to accomplish the very object of accounting. There is nothing easier than to fiddle with one's figures. From what little statistics I know, accountability can be defeated by making it mechanical, by rendering it in terms which are seemingly scientific and accurate, but omit the essential fact that they are not in terms of relationships and of people. I would like to emphasise this very strongly.

#### **ACCOUNTABILITY IS A MULTI-WAY PROCESS**

I said that accountability is a multi-way process. This concept of accountability—"you account to me, and I account to somebody else"—I reject. I think the classic case is the tragedy of the fascist system—the leader principle, the play of authority downwards, and the play of answerability and accountability upwards. I think it is utterly wrong, and we have the model case, the limiting case or the extreme case, of the fascist system, an inefficient system, not an efficient system even by its own account. That is one extreme case that I submit to you for consideration.

The other case which underlines this concept of a multi-way accountability is the Crichel Down case, a case which recently came up in the U.K., where it was a failure to account to the public—to the citizen, for which essentially, the minister was held responsible. It was a failure to account to the citizen—the individual citizen, and the failure to account not by the minister himself, but by somebody in his organisation and not through Parliament either. It was a failure to account to the citizen directly, in terms of the citizen's feeling of right and wrong, in terms of the citizen's sensitivities and sensibilities, in his assessment of right and wrong. I submit that it was a failure to account on these, that the Crichel Down case has its real significance. I offer it as a recent example of the principle of multi-way accountability.

#### **ACCOUNTABILITY TO ONE'S OWN VALUES**

I would say that it is an essential feature of true accountability to relate it to subjective ethical and moral value. I think that this is important. The ethical and moral value cannot be a thing apart from true accountability and to the extent that accountability departs from that, it is likely to fail in answering its true purpose.

In the last analysis the ultimate accounting by anybody is to himself. Now, I think it is true. I think, the ultimate accounting is to

one's own self. Because you will always render account in terms of your own values. The people who will render account deliberately in terms of values other than their own, are very few. They are amongst the few criminals and tax-dodgers. But by and large, the average person, in my own experience, tends to render account, and render it effectively—to the extent that his accounting is accepted as being duly rendered—, tends to succeed in rendering his account, good, bad or indifferent, it might be a very bad accounting, but he succeeds best within the parameter of his own ethic and his own value. I think this is important. There is nothing easier for me to sell when I appear before, say, the Public Accounts Committee than a value about the validity of which I am convinced. There is nothing more difficult to make convincing than something in which I really do not believe. Therefore, I think this is an important and in fact a vital feature in accountability—the importance of ethical and moral value, and the ultimate accounting being to oneself.

But it would be a mistake to put a full stop there and say, "All right, I account to myself. I know I am a good and honest man. I certify my honesty—I certainly can, within my limits. I do make mistakes. You admitted that I will make mistakes if I exercise authority. I am only accountable to myself; you trust me and I think you should; if you think I am a good man, as indeed you should, and if you think I am efficient because you put me there, then, why should I account to anyone else at all"? I will attempt an answer.

The need for accounting outwards is an excellent discipline to which one should gladly submit and discipline is essential to continued good working; without it the quality of the work done, of judgments exercised, decisions taken, inevitably deteriorates, and continues to deteriorate to the point of final breakdown. Then also it seems to me to be but right that you should be able to demonstrate the sound working and the proper discharge of function and responsibility. You know the legal maxim that "justice shall not only be done, but it shall be seen to be done". Only then is it true justice. I would apply the same maxim, and in the same way I would say, that true accountability is accountability that is seen to be rendered.

Another point, which I think deserves attention (this has a special reference to government industrial enterprises rather than private ones) which it has not received always, is that the company law under which government companies operate, imposes legal disciplines of its own which are valid, and can partly and in my view should take the place of more directly departmental accounting. Whether I am a Director, or the Chairman of a Board, or whether I am Secretary to the Government, having nothing to do with the Board but for the

actions of which my Ministry is answerable in Parliament, I would prefer—and all my experience convinces me of this—I would prefer by and large to depend upon the disciplines of company law, rather than depend upon a chain of command or a chain of control, in so far as the company law disciplines apply as they do over a large range, much larger than commonly appears. There are over a hundred and fifty items which have been listed by the Company Law administration for which the Directors can be held answerable, whether they are in a government company or a private company, whether they are government servants or not. This is a feature which deserves fuller attention that it normally receives.

#### LET THERE BE DIFFERENT OPINIONS, LET THOSE BE PUT ON RECORD

I think it is very important to maintain a record for due accounting. There has been a little controversy about this. We had a seminar in Delhi recently on the morale in public services; where one ex-minister—I think he is a Governor somewhere now—said that he never had any difficulty with his Secretary. There was no need to put anything on record. Everything that arose was discussed out and they recorded the decision. Whenever they did not agree—well, one was able to convince the other. Everything went beautifully. Nothing was put on the record except the final decision. “The only time that anything else went on record was after a couple of years, when my Secretary wrote to me a private letter, saying that some decision I had taken was quite wrong and he would like to draw my attention to something or other.” Well, I think that that letter was a confession of the failure of the whole system. In five years, I have certainly not written any letter to my Minister to protest against any decision in the Ministry. I don’t need to ! The place where the Under Secretaries, the Deputy Secretaries, the Joint Secretaries, and I as the Secretary, express our views is on the record, and that is where they should be. But there is something even more important than that. There is a tendency to regard the record as the building up of a defence. That is a very limited, and limiting view. In true accountability, we don’t need to build up a defence. I do not have to build up a defence. Why should I ? If I am put in the dock at any time, my innocence is perfectly good enough for me, to stand in my defence. I would damage myself, if I thought in terms of building up a defence. I think that every person—at whatever level he is, from the unskilled worker on the shop floor in a textile mill, to the highest functionary—either in private business or in government, has a contribution to make. That contribution should be independent, it should be his contribution, his point of view. God help us, if we all have the same point of view on everything; then we might as well shut down. I think it is a great

mistake not to have the individual contribution of those who are associated with the problem, not to let them come forward in their independent judgment, knowing that they may be disregarded as knowing that their boss may hold a different view; but knowing also, that they will get a pat on the back for having applied their minds, and made their contribution rather than being reprimanded for putting up something with which somebody else may not agree. Finally, I would like to refer to two things.

#### EFFECTIVE DELEGATION IMPROVES MORALE

One is morale. Morale bears both on delegation and accountability which are part of the same thing. I would submit that morale, which plays an essential part in exercising powers and discharging responsibilities and an accounting for them, is an indivisible value. I don't think this is sufficiently understood when people account and are held to account. It is no good for a parliamentary committee or a Board of Directors or a chief executive in a mill to say that his morale or their morale or the morale of those who are answering to them, is such and such. I contend that morale in a community is indivisible. My morale is only as good and will tend to be only as good as the morale of everybody around me—both upwards, and downwards and sideways. I think the law of osmosis applies here. I think this is a feature of accountability which may be worth looking at squarely and examining in some detail.

#### UNIVERSAL NATURE OF DELEGATION AND ACCOUNTABILITY

The other is that, to my mind, the principles of delegation and accountability apply universally in any organisation. They apply to business and industry. They apply to the very elementary maintenance of law and order. They apply to military—you cannot win battles unless you have delegated very large areas of responsibility. They apply to politics; I am not sure it is sufficiently understood. They apply at every level, both in the field, and at headquarters, whatever the field may be and wherever the headquarters may be. Delegation and accountability are essential for the due performance of functions, and the principles that apply to delegation and accountability are universal to human effort and human relationships.

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## TWO ESTIMATES COMMITTEES\* (II)

*S. L. Shakdher*

BOTH in India and the U.K., the Estimates Committee has full powers to send for papers, persons, and records and the Government have the discretion to decline production of any paper if in their opinion, its disclosure is prejudicial to the safety or interest of the State. In India, however, there is a further proviso that if any question arises whether the evidence of a person or the production of a document is relevant for the purposes of the Committee, the question shall be referred to the Speaker whose decision shall be final. Occasionally also Government have pleaded that, certain information being of a secret nature, papers and records relevant thereto might not be produced before the Committee. The Committee has insisted that unless Government certify that the disclosure of any paper is prejudicial to the safety or interest of the State all papers of confidential or secret nature should be produced before the Committee. In recent years, a convention has been established that if a witness says that a particular paper is secret, he may show it to the Chairman and if the Chairman is satisfied, it would not be produced before the Committee and the Chairman may explain the position to the Committee. But if he directs that the paper should be produced before the Committee, the Government may either do so or refer the matter to the Speaker for his guidance. So far the question of production of secret papers has arisen only in a few cases and the matter has been settled to the satisfaction of the Committee and the Government by discussion and no case has come up to the Speaker. In the U.K., the Speaker has no such powers in the matter and all such questions are disposed of by the Committee itself. If the Committee should feel that a paper which has been withheld from the Committee should be produced before it, the only course left open to it is to refer the matter to the House for its decision.

In India, after the report has been presented to the House, the Ministry or the Department concerned is to take action on the various recommendations, and conclusions contained in the report which are summarised at the end of the report and consecutively numbered. After a lapse of some reasonable time, the Ministry or the Department concerned is required to intimate to the Committee the nature of action taken on the recommendations and suggestions. The replies received

\*This is the second instalment of the article; the first instalment appeared in the last issue (for Oct.-Dec. 1959).—Ed.

from the Ministries and Departments concerned are analysed by the Committee in four Statements:

- (i) Statement I shows the recommendations and suggestions, etc. agreed to by the Government and implemented.
- (ii) Statement II shows the recommendations, which it has not been possible for the Ministry or Department to implement for reasons stated by them and which the Committee on reconsideration thinks should not be pressed.
- (iii) Statement III shows the recommendations which the Government are unable to accept for the reasons given by them but which the Committee feels should be implemented.
- (iv) Statement IV shows the recommendations to which final replies of Government have not been received.

These four statements are presented to the House in the form of a further report from the Committee and then it is left to the House to take such further action as it may like.

In India, the action taken by Government on the reports is sifted, analysed and considered by a Standing Sub-Committee of the Estimates Committee which is appointed at the beginning of each year. The Sub-Committee goes into every recommendation thoroughly and may sometimes call the departmental witnesses to amplify the written statement supplied by the Department. The report of the Sub-Committee is then placed before the whole Committee and it is only after the Committee has deliberated on it and approved it, that the final report is presented to the House. Sometimes this process of watching the implementation of recommendations is spread over many years<sup>28</sup> and the successive Committees consider them. This method has proved effective because the Ministries are answerable to the Committee for every recommendation and different Committees have had an opportunity of examining the same matter at different periods so that the soundness of the recommendation made by the Committee is open to test subsequently by different persons at different periods. So far, there have been no cases when there has been a conflict between the views of successive Committees. The Committee may, through lapse of time and in the changed circumstances, agree not to press a

28. The Committee is conscious of the fact that it should not prolong a matter unnecessarily so that it may not have to deal with a large accumulation of arrears as years roll on. The delays are at present due to the slackness on the part of Government Departments in furnishing replies. Such belated views of the Government sometimes throw the recommendations of the Committee out of focus and it is waste of time and energy to pursue such recommendations. In such cases the Committee would do well to close the matter by making a report to the House on the delays in receiving replies and leave the matter to be settled by the House in such manner as it deems fit.

recommendation; but there has been no case where the Committee has fundamentally disagreed with its predecessors on the merit or value of any recommendation.

In the U.K., there is no regular machinery whereby the implementation of recommendations is watched. Each member is left to spell out the Government's attitude to a recommendation of the Committee either from the memoranda written by the Government departments or from the white papers placed before the House of Commons or from answers to Parliamentary questions or Government statements made during debate or otherwise from time to time.

In India, the House does not discuss the report of the Estimates Committee as such; but during the discussion on the budget and the demands for grants copious references are made to the reports of the Estimates Committee by members of the Opposition as well as Government Party and the Minister concerned is required to answer most of the criticisms made in the reports of the Estimates Committee indirectly in such debates. Reports of the Estimates Committee are also referred to during Question time when members seek information on the implementation of recommendations.

In the U.K., the Estimates Committee ceases to have any concern with the reports after they have been presented to the House. The same Committee or the successor committee is not required to report the progress of the implementation of recommendations. After the presentation of a report the Ministry or Department concerned usually sends its reply to the Committee which then publishes it as a separate report. In such reports the Committee frequently comments on the departmental observations and calls for a further reply after taking evidence on the reply itself from departmental witnesses. Members do refer on supply days to the reports of the Estimates Committee and ask the Minister what he has done in regard to the implementation of its recommendations. In recent years there have been a few instances<sup>29</sup> where the reports of the Estimates Committee have been discussed by the House on a specific motion.

In India, the Rules of Procedure of the House provide that the Speaker may from time to time issue directions to the Chairman of the Committee as he may consider necessary for regulating its procedure and organisation of work. Also, the Chairman may if he thinks fit refer any point of procedure to the Speaker for his decision. In pursuance of this power, the Speaker has issued a number of directions

29. 23rd July, 1951 —Debate on the Third Report (on rearment).  
 1st July, 1953 —Debate on the Eighth Report (on school buildings).  
 20th February, 1959—Debate on the First Report (on the police in England and Wales).

from time to time regulating the procedure of the Committee. These directions have been issued by the Speaker after considering concrete cases that have been brought to his notice by the Chairman or the Committee. By the rules and directions, the Committee or the Chairman of the Committee is bound to refer certain matters of procedure to the Speaker for his decision or guidance, in case any need arises. This is done to avoid references to the House. The Committee by convention shows its draft reports to the Speaker before they are presented to the House. However, the Speaker has merely perused these reports and has never referred any matter to the Committee for reconsideration, amplification or elucidation.

In the U.K., as stated earlier, the Speaker is not concerned with the day-to-day functioning of the Committee and therefore no power is vested in him to give directions to the Committee. The Committee also does not inform him privately of the progress of the matters under consideration by the Committee. He is not officially cognizant of any matter until the Committee makes a report to the House.

In India, sometimes specific matters<sup>30</sup> have been referred by the Speaker or the House to the Committee for investigation and report. In the U.K., there is no such practice unless the matter pertains to the internal functioning of the Committees, e.g., on the 27th June, 1951 a complaint that written evidence submitted to a sub-committee of the Estimates Committee had been prematurely published was referred to the Estimates Committee for investigation and the Committee reported thereon.

In India, the Speaker may on a request being made to him and when the House is not in session<sup>31</sup> order the printing, publication or circulation of the report of the Committee before it is presented to the House. In that case, the report shall be presented to the House during its next session at the first convenient opportunity. Any business pending before the Committee does not lapse by reason only of the prorogation of the House and the Committee continues to function notwithstanding its prorogation. A Committee which is unable to

30. 24th March, 1951 —Matter relating to loss in Railway collieries arising out of discussion on the relevant Supply Demand was referred by the Speaker to the Estimates Committee.

21st February, 1958—Matter relating to Dandakaranya Scheme arising out of a discussion on a cut motion was referred by the Speaker to the Estimates Committee.

10th March, 1959 —Matter relating to shortfall in production at the Bharat Electronics arising out of supplementaries to questions was referred by the Speaker to the Estimates Committee.

31. Estimates Committee, 45th Report (First Lok Sabha), on Ministry of Community Development and 68th Report (First Lok Sabha), on Ministry of Defence—Ordnance Factories.

complete its work before the expiration of its term or before the dissolution of the House may report to the House that the Committee has not been able to complete its work. Any preliminary report, memorandum or note which the Committee may have prepared or any evidence that the Committee may have taken is made available to the new Committee.<sup>32</sup> If a Committee has completed the report but is not able to present it to the House before its dissolution, the report is laid<sup>33</sup> on the Table by the Secretary of the House in the new House.

In the U.K., no such provision exists. The Committee becomes *functus officio* on prorogation and there is no provision whereby a successor Committee can take up the unfinished work of the previous Committee, unless the House authorises the new Committee to take up the work by specifically mentioning it in the motion<sup>34</sup> for the appointment of the new Committee, or by a separate *ad hoc* motion. There is also no provision for the printing, publication or circulation of the report of the Committee before its presentation to the House.

In India, written questionnaires are sent to the departmental witnesses for written replies before they are called to give oral evidence. Even during evidence, when questions are asked the witness may not give an answer immediately but suggest that a written memorandum will be supplied later. Consequently much of the work of the Committee is carried on in writing and less reliance is placed on or use is made of the oral evidence because it is only in amplification of the written replies. While the Committee calls for one or two witnesses from a Ministry, a practice has grown for the heads of Ministries and Departments to bring with them a large number of subordinate officers and records to the Committee. During the evidence, very little use is made of the records brought by the subordinate officers and of course there is very little consultation between the heads of Departments and junior officers in the Committee. For most of the time, therefore, the junior subordinate officers are merely present there to watch the proceedings. The Committee has time and again brought it to the notice of the Ministries that only principal witnesses should come; but it has not excluded the other junior and subordinate

32. Estimates Committee, *6th Report*, 1953-54; *7th Report*, 1953-54; *10th Report*, 1953-54 (Minutes dated the 14th May, 1953-Vol. 3). *33rd Report* (Second Lok Sabha); *36th Report* (Second Lok Sabha).

33. Estimates Committee, *67th Report* (First Lok Sabha), Ministry of Defence—Hindustan Aircraft; *68th Report* (First Lok Sabha), Ministry of Defence—Ordnance Factories.

34. The following paragraph from the motion appointing the Estimates Committee for 1956-57 is relevant:

That the Minutes of the Evidence taken before Sub-Committees D, E and F appointed by the Select Committee on Estimates in the last Session of Parliament, which were laid before the House on 5th November, be referred to the Committee, *Vide: House of Commons Deb.* 1956-57; Vol. 561, Cols. 1645-46.

Officers from the meeting lest departmental witnesses should feel that they had not the necessary assistance at their disposal while giving their evidence. In the U.K., although the Departments concerned are asked to send whatever witnesses are most suitable only a few witnesses who are intimately connected with the subject-matter of discussions appear before the Committee. Much of the material is collected in oral evidence. The witnesses give as much information as possible orally and there is very little left to be given in writing. Consequently, the Committee gets a more vivid picture and is able to appreciate the background better and its report is largely based on such evidence. This is not to say that written evidence is not placed before the Committee. Usually in the first instance Departments do send written memoranda and later may also supply further documents in amplification of oral evidence, all of which are printed along with oral evidence, but the volume of such written evidence is considerably small compared to the practice in India in this regard.

In the U.K., the Committee works mostly on party lines as is evident from the divisions in the Committee on more important matters under discussion by the Committee. In India, on the other hand, the Committee works on non-party lines and there has been no division so far in the Committee on any matter before the Committee. Members of the Opposition have frequently testified to the non-party character of the Committee.<sup>35</sup>

In India, while the Committee is deliberating or taking evidence, refreshments are served. The members also smoke and there is a good deal of informal atmosphere. The Committee also sits for a number of hours at a stretch. In the U.K., the Committee generally sits not more than two hours at a time. There is a formal atmosphere. No refreshments of any kind are served though members do smoke during deliberations but that too is prohibited during the taking of evidence.

Both in the U.K. and India, the Estimates Committee has been working without the aid of the experts, unlike the Congressional Committees of the United States of America, that is to say, the Committee does not have the assistance of whole-time servants who are experts technically in the subjects which are under its examination. The Committee has not even the assistance of the Comptroller and Auditor General. It has always been held that the Committee is a layman's committee and it must bring to bear the point of view of the layman on the matters under examination. If the Committee were to be assisted by experts then it might well happen that the Committee

35. See 'A Review of the Financial Committees', 1959, New Delhi, Lok Sabha Secretariat.

is dominated by those experts and ultimately it may lead to putting up experts on the Committee against the experts of the Government. Thereby there is a danger of conflict between the Committee and the Government and Parliament will lose the benefit of the advice of its own members assembled in the Estimates Committee. If an expert enquiry is wanted it should best be left to the department to institute such an enquiry and the experts should be left to themselves to make suggestions. The Estimates Committee should not become a tool for expert examination which, properly speaking, is the sphere of the executive government.

In the U.K., the question of association of experts with the Committee has been raised in the past now and again, but the House of Commons wisely has always decided against it. In India, on the other hand, the Committee has never raised any question of expert assistance, as during the years of its existence it has felt quite confident of dealing with the matters that have come before it in its own way. The previous Chairman of the Committee has, however, sometimes raised the question of associating experts with the Committee on a temporary basis but on the above considerations being pointed out to him he agreed that it was not correct in the long run to press for such assistance. The Committee should call, and in fact the Indian Estimates Committee has often called, official and non-official experts and witnesses and gathered their opinion about the various matters under its examination and then the Committee, after having sifted such evidence, has come to its own conclusions without in any way basing its reports on direct reference to such evidence save in a few isolated instances.<sup>36</sup>

Both in India and the U.K., the Committees have been very much alive to the need of keeping separate the parliamentary and executive responsibilities. The Committees have in various ways tried to steer clear of executive responsibilities, that is, they have avoided all such steps which might involve them at the stage of formulation of policy or in the execution of the policy. For this reason the Indian Committee has, despite suggestions made to it from time to time, always turned down the proposal that it should examine the supplementary estimates before they are presented to the House. Since the supplementary estimates before presentation to the House are still in the executive field the Committee has thought it unwise to begin examination of the estimates at that stage. The Committee has always held that it could be fully seized of the supplementary estimates after they are presented to the House. Similarly, whenever the Committee

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36. Estimates Committee, *33rd Report* (Second Lok Sabha) on Ministry of Steel, Mines & Fuel.

has watched the implementation of the recommendations made by it from time to time the Committee has endeavoured to keep itself aloof from executive responsibility in watching the actual implementation. It is enough for the Committee if the Government say that they had accepted the recommendation or that necessary steps were being taken by them to implement a suggestion. The Committee has not gone further to see whether in fact the recommendation has been implemented. Of course, when the Committee takes up the examination of the estimates of the Ministry in the second or subsequent round it might examine generally the effect of the implementation of previous recommendations and so on but the Committee has not pursued the actual implementation in individual cases.

It has sometimes been said<sup>37</sup> that the officers who attend before the Estimates Committee are required to defend the policy of the Government. This is not a fact. The Committee has never asked the official witnesses to explain the reasons behind or merits or the demerits of the Government's policy. The Committee has always thought that that lay in the sphere of a Minister and the House. The Committee has asked the departmental witnesses to explain how a policy is being implemented in practice by the executive officers. That is perfectly within the competence of the officers to say and to explain. Even if a question borders on a policy matter and the departmental witness says that that was a matter which lay in the sphere of the Minister to explain in the House the Committee has left the matter there and not tried to probe into it further. The idea behind calling departmental witnesses to appear before the Committee is that since the expenditure is authorised by the civil servants and is actually incurred by them it is they, properly speaking, who should be answerable for any wastes or mismanagement or mis-spending of funds in the execution of the policy laid down by Parliament. Therefore there is a rule that the Committee should not ask the Ministers to appear before the Committee because, firstly, the Ministers are concerned with policy matters which the Committee does not enquire into and, secondly, the Ministers do not sanction day-to-day expenditures under the rules of business of Government and therefore they would not be able to explain why particular expenditures have been incurred. It is therefore that the civil servants and more particularly the head of the Ministry or Department or undertaking is called upon to justify the expenditures incurred by the Ministry or Department. This position obtains both in India and the U.K.

It is also said<sup>38</sup> that the value of the recommendations made

37. Address by Shri A. K. Chanda on "Parliamentary Control over National Expenditure" to the members of the Madras Legislature. (Madras Legislature Information, March 1959, Vol. 1, No. 1).

38. Shri A. K. Chanda, *ibid*.

by the Committee is detracted from because the Government do not accept them. This impression is erroneous firstly because in the majority of cases the Government do accept recommendations as will be clear from the reports on the implementation of recommendations submitted by the Estimates Committee to the House from time to time. In some cases where Government have difficulties in accepting a recommendation and have reasons for that view they generally place the matter again before the Committee for its reconsideration. The Committee has in many cases accepted the Government's difficulties and dropped its earlier recommendations or it has insisted on the implementation of the recommendation. It is only in some cases that the Government have not been able to implement the recommendations at once. It should, however, be noted that the Committee's main task is to influence the Government in its long-term thinking and plans and it will be difficult for any Government to come forward immediately with the acceptance of all the recommendations. The Government have naturally to consider each matter carefully and to consult the various interests involved before it can accept a recommendation. Sometimes the Committee's recommendations are of a far-reaching character and even though the Government have in the beginning demurred in accepting a recommendation they have eventually<sup>39</sup> done so. Successive Finance Ministers and other Ministers of Government have always acknowledged the usefulness and influence of the Committee.<sup>40</sup>

The Indian Committee has come to play an important role in the Parliamentary system and this has been widely acknowledged in India and abroad.<sup>41</sup> For an objective appraisal of the Committee's

39. Nationalisation of the Imperial Bank *vide* paragraph 38, Ninth Report.

40. Shri C.D. Deshmukh, Finance Minister, in a speech delivered in the House on the 10th April, 1951 said:

"All I can say is that we have every intention of treating the Estimates Committee as an ally and of seeing to what extent they will help us to conserve and apply our resources to the best possible advantage."

Winding up the debate in connection with the voting of Demands for Grants relating to the Ministry of Irrigation and Power, Shri Gulzari Lal Nanda, Minister for Irrigation and Power, said on the 7th April, 1954 :

"I may also pay a special tribute to the work of the Estimates Committee... I must say that their work in totality was exceedingly useful and of great assistance, and I must acknowledge it."

41. In "Public Finance Survey: India" issued by the Department of Economic Affairs, United Nations, 1951, the following passage appears :

"...Many of these reforms have been taken on the suggestion of the new Select Committee on Estimates which started work in April 1950, and before the end of the year had issued three reports, conspicuous for the range of their coverage and constructive criticism. The Committee is following a method of investigation by sub-committees which deal with particular problems or projects as a whole, rather than stick closely to the estimates of a particular ministry. Their major contribution has been advice on the re-organisation of ministries, which the Government has already taken up for early implementation."

work it will be necessary to go through the numerous editorials and articles in the daily papers and journals, the debates in Parliament and individual letters written by knowledgeable persons and experts on the work of the Committee. Barring an occasional criticism here and there on the merits or details of a recommendation or observation of the Committee there has been uniform appreciation of the work of the Committee and its useful role<sup>42</sup> in the financial administration of the country.

Similarly in the U.K., the Committee has won appreciation of its work from M.P.s., Press and Government. During war-time the Select Committee on National Expenditure (counterpart of peace-time Estimates Committee) did valuable work and earned the praise of the then Prime Minister, Mr. (now Sir) Winston Churchill. The following extracts from his memoirs of the Second World War will show the extent to which the Committee succeeded in exerting an influence on the Government.

"Letter dated the 20th September, 1942 from the Prime Minister to the Minister of Production.

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I have today read the report of the Select Committee on National Expenditure about tanks and guns. It is a masterly indictment which reflects on all who have been concerned at the War Office and the Ministry of Supply. It also reflects upon me as head of the Government, and upon the whole organisation.

So far only a formal acknowledgement has been sent to Sir John Wardlaw-Milne and his Committee. A very much more detailed and reasoned reply must be prepared, and should be in the hands of the Committee before Parliament meets on September 29. Let me know therefore before Wednesday next what you have done and are going to do in this field, and how far you are able to meet the criticisms of the Committee. Give me also the materials on which I can base a reply to the Committee, who have certainly rendered a high service in bringing this tangle of inefficiency and incompetence to my notice. It is now more than a fortnight since this report was put in your hands and those of the Ministry of Supply.

I must regard this matter as most serious, and one which requires immediate proposals for action from

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42. See "Recent Political Developments in India—II", by W. H. Morris-Jones, *Parliamentary Affairs*, Winter 1958-59, Vol. XII, No. 1.

yourself, the Secretary of State for War, and the Minister of Supply so that at any rate the future may be safeguarded.”<sup>43</sup>

“Sir John Wardlaw-Milne was the Chairman of the powerful all-party Finance Committee whose reports of cases of administrative waste and inefficiency I had always studied with close attention. The Committee had a great deal of information at their disposal and many contacts with the outer circle of our war-machine.”<sup>44</sup>



“We want administrators who can cope integratively with the claims of special group interests who may be seeking to be all-controlling. This requires the balancing of the claims of the groups and publics which comprise the total clientele operationally viewed. We want executives who are incorruptible with vendors who have personal inducements to proffer, with dishonest union bosses who want their palms crossed with silver, with consumers content to take a second-rate product. Again, we want administrative heads who find their careers full of creative opportunities to minister to the invaluable creative drive of others, and to practice a democratic philosophy of active, participative consent at the several levels of purposes, principles, process, performance, and productivity.”

—ORDWAY TEAD  
in “*Administration: Its Purposes and Performance*”

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43. *Second World War*, by Winston Churchill, Vol. IV, pp. 795-6.  
44. *Ibid.* p. 352.

# THE THEORY AND PRACTICE OF THE PUBLIC CORPORATION IN A DEMOCRACY\*

*Ambar Prasad*

THE emergence of the public corporation or semi-autonomous public corporation, to use the term with its qualifying adjective, is a phenomenon of great importance to modern methods of administration. Public corporation has arisen largely as an empirical response to meet the need of resolving the conflict, inherent in a democratic system of society between "democracy" and "efficiency". As such there is no systematic political theory of public corporation. But underlying all the various forms of public corporation are certain principles and a certain amount of thinking.<sup>1</sup>

In this essay an attempt is made to state these principles and discuss them in the light of experience of different democratic countries and views of various scholars on the subject. England serves as the focal point as here the concept of public corporation has received more systematic investigation and thought than in any other country and here the technique is most widely employed.

It is not easy to give a precise definition of the term "public corporation" whose use was first made in 1926 in England in a report on broadcasting. The institution has grown as most other British institutions have grown. The general concept, as has emerged from a number of such bodies, can be expressed by giving two broad features of the public corporation. First, it is a corporation in the sense that it has the flexibility and initiative of a private enterprise, has freedom of administration and finance, of accounting and purchasing and has power to recruit its own personnel and to sue and be sued in its corporate name.<sup>2</sup> Second, it is public as distinguished from private. As

\*Text of an essay which secured one of the prizes in the IIPA Essay Competition, 1958.

1. Graham Wallas had first indicated in 1922 how parliamentary system was inadequate to provide for wise direction to industrial societies. (*Vide: Robert Dawson, The Principle of Official Independence*, pp. xiii-xiv).

This was followed by other writings. Among them H. Morrison's *Socialisation and Transport*, London, 1933, *The Labour Party Programme*, 1938, and the British Labour Party Pamphlets on *Post-War Organisation of British Transport*, 1944, *Post-World War II, Labour Party Programmes on Nationalisation*, and Acton Society Trust Pamphlets are noteworthy.

2. Herman Finer, *The T.V.A. Lessons for International Application*, Montreal, International Labour Office, 1944, p. III.

such it carries on functions on behalf of and for the benefit of public, exercises power as an agency of the legislature and supreme executive of the country and is accountable to the public, both directly and indirectly for its policy, methods and results.<sup>3</sup> On account of this "public" aspect, there is the absence of profit maximisation as a criterion of criticism or guide to policy.<sup>4</sup> Professor Robson has detailed these broad features into four "leading principles". They are : first, freedom from Parliamentary inquiry into the management of the concern as distinct from its policy; second, disinterestedness, in the sense that each public corporation has a public purpose, that it has no shareholders, and that profits are a legitimate but not the principal object; third, that the personnel does not form part of the civil service, and fourth, self-contained finance, divorced from the national budget.<sup>5</sup>

#### THE FORM OF STATE ENTERPRISES

There are various forms of autonomous public enterprises existing today. In England the public corporation has come to be recognised as the appropriate instrument for operating nationalised industries or services requiring management of an industrial character. Examples of such corporation are the British Broadcasting Corporation, the Central Electricity Board, the London Passenger Transport Board, National Coal Board, British Transport Commission, British Electricity Authority, Gas Council, the Airways Corporation, the Atomic Energy Corporation. If we take Commonwealth countries, with parliamentary democracy, Australia has Railway Commission, National Airlines Commission, Broadcasting Commission and the Snowy Mountains Hydro-Electric Authority; Canada has, among larger corporations, the Canadian National Railways, Harbours Board, Trans-Canada Airlines, Central Mortgage and Housing Corporation and the Bank of Canada; India has D.V.C., Industrial Finance Corporation, Indian Airlines Corporation, Air-India International, Life Insurance Corporation among the important corporations. The Government of the United States has operated through a corporate agent such enterprises as Tennessee Valley projects, the Panama Railroads and the Alaskan Railroads. France had her national enterprises in pre-1945 period but since 1945 a true public corporation has emerged. In Germany

3. M.E. Dimock, "Principles Underlying Government-owned Corporations", *Public Administration*, XIII (1935), p.54.

4. Lincoln Gordon, *The Public Corporation in Great Britain*, London, Oxford University Press, 1938, p.323.

5. W.A. Robson, *Problems of Nationalised Industry*, London, George Allen & Unwin Ltd., 1952, pp.27-35.

mixed enterprises have always played a predominant part. Recently, however, she has brought railways and postal services closer to the concept of public corporation. In Asia and Africa, developed countries like Japan and certain underdeveloped countries have also adopted public corporation for the management of their public enterprises, particularly in the field of public utilities and transport.

It may be necessary at the outset to seek answer to two questions. First, why has the public corporation become so popular a device for the management of certain state enterprises? Second, is there any criteria for determining the relative suitability of a particular economic activity for management by the department itself, or by a public corporation or by a public limited company? The first question will involve comparative evaluation of the traditional and well-established departmental method, management by workers' council, management by a government company and management by a public corporation.

#### *Departmental Management*

It may be theoretically possible to organise a departmental undertaking so as to allow it financial and operating autonomy as in the case of railways in India; but in practice, this autonomy is always illusory. Bureaucracy has a strong love for uniformity and unless an economic enterprise is clearly and definitely freed from normal departmental activity, a strong tendency will develop towards bringing it under the operation of normal government rules and regulations.

Administration of a developing economic enterprise through the Minister or Departmental Secretary is undesirable for various reasons. The initiative and push which is so vital to it may not be forthcoming. Responsibility to Parliament breeds timidity among ministers and civil servants and places too much emphasis upon the avoidance of criticism rather than constructive action. On the other hand, it is more likely that the board of a public corporation will be marked out for inventiveness and courageous planning. About this there is all round agreement.<sup>6</sup>

The departmental management leads to unnecessary delays and red-tape, the general habit of departmental management being "to write at leisure a fairly long letter or memorandum and send it to the

6. Viscount Wolmer, *Post Office Reform*, p.227; W.A. Robson, *Public Enterprise*, London, George Allen & Unwin Ltd., 1937, p.378; H.J. Laski, *Grammar of Politics*, London, George Allen & Unwin Ltd., 1951, p. 442; and T.S. Simey, *Principles of Social Administration*, pp.78-79.

authority which has to be consulted, for consideration in due course which usually means delay of weeks, if not months.”<sup>7</sup>

As early as 1920, Sir William Acworth warned against the dangers of political interference in the administration of services like the railway service in a democratic state. By asking questions a member indicates his concern for his constituency and whenever adversely affected, must make an inquiry of the ministers even if the matter be a minor one. The members of the Opposition are certainly “not interested in preserving any niceties of constitutional distinction but are alert for any and all means to embarrass or ridicule the Government of the day.”<sup>8</sup> It is, therefore, clear that interference is usual in a democracy.

As Prof. Laski says, after forming a Government, “the most essential function of the House of Commons, in our system is the ventilation of grievances.”<sup>9</sup> The large number of questions asked also points in the same direction.<sup>10</sup> In the Parliament the practice of asking questions has become a regular part of each day’s procedure, and hence the Minister or the Parliamentary Secretary of each Department of Government must justify every act of commission or omission which is brought to his notice. The public and the press attach great importance to this practice. If the criticism expressed through questions were constructive and well informed, some useful purpose would be served. But this is not always so, as testified to by no less a person than Lord Attlee: “As regards policy, parliamentary control is perfunctory and there is little informed criticism.”<sup>11</sup>

Moreover, the Minister might be, as he generally is, an amateur. He may not possess expert grasp and understanding to bear upon the problem of a technical service.

Since public corporations do not depend upon annual appropriations from Parliament, they are not subject to Treasury control over the financial aspects of their activities.<sup>12</sup> Financial autonomy and commercial accounting are the lifeblood of a successful commercial enterprise. The rule of departmental finance that all surpluses

7. *Report of the Commission on Organisation, Staffing and Operations Methods of Government Departments*, Ceylon, 1948, p. 60.

8. J.D. Millet, *The Unemployment Assistance Board*, p. 86.

9. H.J. Laski, *Parliamentary Government in England*, London, George Allen & Unwin Ltd., 1952, p. 147.

10. Austin Chamberlain, the Financial Secretary to the Treasury in 1902, said from inside knowledge that a third of the time, at a lower estimate, of the highest officials in the Post Office was occupied in answering questions raised by the members of the House. Quoted in J.D. Millet, *op. cit.*, p. 90.

11. Clement Attlee “Post Office Reform”, *The New Statesman and Nation*, Nov. 7, 1931, p. 565.

12. Herbert Morrison, *op. cit.*, p. 149. This is of course true of England but not always so in respect of all other countries.

and unspent balances lapse to the Exchequer will work out very adversely if applied to a developing service. The budget would be plunged into a hopeless confusion if trading and spending services are lumped together. Moreover, the Treasury control is not calculated to encourage risk and initiative.

Similarly, departmental methods of accounting are not applicable to economic enterprises. They do not enable an undertaking to present an intelligible picture of the operating position or results of working. The corporation, on the other hand, adopts commercial methods, shows profit and loss and prepares balance sheets. Departmental management often breeds a tendency not to take seriously the losses. This has been particularly noticed in the Asian region. Even in cases of continuous losses, no serious attempt is made to re-organise or retrench or liquidate.<sup>13</sup> At the same time the consumer who may, in most cases, be the same person who is the tax-payer, may suffer by having to pay high prices or by being subjected to inefficient service.<sup>14</sup>

The departmental management, apart from its advocates on political or ideological grounds,<sup>15</sup> has found some supporters among scholars also, though their number is very small. Let us consider the view of Mr. H.R.G. Greaves. His thesis is based on the fear that the corporation might be removed too far away from the reach of public criticism, public inquiry and public knowledge. He says : "The pressure of interests may be exerted through the House, but such pressure will be exerted in any case it is much better in the open, when it can be resisted by being shown up as interested pressure, than when it is pushed into backstair intrigues carried on in the obscurity of institutions that need give no account to the public of any specific decision. True, the fear of criticism may discourage initiative, but the House is not the only source of such criticism."<sup>16</sup> He thus admits that there is pressure of interests through the House and that the fear of criticism discourages initiative. If there is criticism through other sources, as he himself says, it is difficult to understand how obscure backstair intrigues will find free play. At the same time, in a true

13. *Report of the Seminar on Organization and Administration of Public Enterprises in the Industrial Field*, Rangoon, United Nations, 1954. Paper Nos. 21,22, 24 and 25.

14. *Ibid.*, para 12, p.15.

15. Communists have largely been in favour of departmental management. Mrs. Renu Chakravarty said in the course of discussion on the Air Corporations Bill in Indian Parliament that the setting of a Corporation was not nationalisation but a "fraud of the first water—a deception" and later referred to the management by a corporation as a "fantastic position". Shri Nambiar was also opposed to the idea of a corporation. *Lok Sabha Debates*, 20th April, 1953. Vol. III, Pt. II, Col. 4643.

16. H.R.G. Greaves, "Public Boards and Corporations", *Political Quarterly*, XVI (1945), pp.67-77.

public corporation, Parliament still retains its ultimate responsibility and does not forfeit its right to enforce its views. The objections of Mr. Greaves are met if control through parliamentary criticism is so exercised that it is made more constructive without in any way detracting from its effectiveness. The very idea of public corporation suggests the combination of "public ownership, public accountability and business management for public ends."<sup>17</sup>

The public corporations so far tried have, on the whole, by their achievements, strengthened their case as models for the administration of public enterprises. Except for U.S.A. there has not been much reversal of decision to entrust management to a public corporation. There, since the end of the war, a policy of winding up of several of the corporations is being followed not always for reasons of better efficiency<sup>18</sup> but for two special reasons. First, nationalisation has not been accepted as a policy in that country, in fact there is a tendency in the opposite direction. Second, there was too much control by the Congress over the corporations. Elsewhere public corporation has come to stay.

#### *Management Through Workers' Council*

The method of administration by workers' council has been advocated by Syndicalists, Guild Socialists and Industrial Unionists and others. They want the management of each industry to be entrusted to a self-governing National Guild, so organised as to represent the various grades of workers. Such schemes were brought forward during the twenties of this century by the Miners' Federation of England and others. Of these schemes that of Sir Eric Geddes is perhaps the most remarkable.<sup>19</sup> But these schemes were not given a practical shape. Some variations of them have been tried in Mexico and Yugoslavia. In 1938 Mexico made an experiment by entrusting the management of her railways to a workers' council by the Decree of April 23, 1938.<sup>20</sup> In Yugoslavia, the "workers", which term includes all employees, elect from among their own ranks the Workers' Council for a term of one year; then this

17. H. Morrison, *op. cit.*, p. 149; M.E. Dimock, *Government-operated Enterprises in the Panama Canal Zone*, pp. 194-195.

18. The majority (of six against three) report of a Congressional inquiry into the working of the Tennessee Valley Authority in 1938 found that with minor exceptions, the Authority was administered "economically, efficiently, honestly and constitutionally" and praised the social benefits of its activities. *Vide: 76th Congress, 1st Session, House of Representatives Document No. 56, Parts 1 and 2*, quoted in H. Finer, *op. cit.*, p. 150.

19. See G.D.H. Cole, *Economic Tracts for the Times*, pp. 301-303.

20. *Railway Age*, New York, Jan. 7, 1939, V.106, p.46.

workers' council elects the management board and the director who act as the executive organs of the workers' council.<sup>21</sup>

Though theoretical justification is possible for this method, it is open to doubt if, in practice, it would yield good results. How can one expect from the workers, as mere representatives of workers, that high technical skill which is essential for the successful operation of a commercial service?<sup>22</sup> Moreover, even a Guild Socialist like Cole has come to the conclusion that Guild Socialism requires for its success a basic change of approach—the workers will have to put public interest first, and such a basic change cannot be expected to take place in a short period of time.<sup>23</sup> Even theoretically the sole representation of workers is unjustified, as other interests which are closely affected are left out of the picture.

#### *Management Through Government Companies Mixed/Corporations*

The other method of management of state enterprises is through a mixed corporation or a dependent government company wherein the Government is the sole or majority shareholder. This was a well-known method in pre-war Germany and, though England adheres to her public corporation form, it is being increasingly employed in Asian countries. In India there is a heavy reliance on what are called private limited companies. Their main features are: (a) they are organised under the regular company law; (b) the Government holds 51 per cent or more of the shares and these are held in the name of one or few government officials; (c) they are accountable to these shareholders and only indirectly to Parliament<sup>24</sup> as a constitutional incident (Section 619 of the Companies Act, 1956); (d) they are not created through parliamentary statutes but are brought into existence through Ministerial decisions; (e) they are not subject to audit by the Comptroller and Auditor-General, except indirectly (Section 619 of the Companies Act, 1956).

These companies have not been received with approval by the Estimates Committee or the Parliament or by independent writers. The company form amounts to running purely commercial and industrial enterprises mainly through civil servants. They are in

21. International Institute of Administrative Sciences, *Oxford Round Table*, 11-25, July, 1955, pp.5-6.

22. The Decree establishing the workers' council in Mexico betrayed this fear when certain conditions were imposed by law upon the council, namely, they had to keep the operating ratio under 85 p.c. and to invest 5.36 p.c. of the gross earnings in additions and betterment. *Railway Age*, *op. cit.*, p. 46.

23. G.D.H. Cole, *National Coal Board*, Fabian Research Series No. 129, London, 1948, p.10.

24. Under Art. 639(1) of the Companies Act, 1956, reports are submitted to Parliament.

fact the 'babies' of the various Ministers and this fact, combined with the absence of any vested interest at the operating level, (since these industries are being started from scratch and are not being set up by nationalising existing private industries), means that the Ministerial officials exercise more control than is evident. The Estimates Committee has regarded their autonomy as a mere fiction. Whereas, there is more bureaucratic control, there is less of accountability to the public. It has neither the advantages of departmental management nor those of a private company. Moreover, it has been shown in a recent study that managerial function is weaker in a government company type of enterprise as compared to a public corporation or even departmental management.<sup>25</sup>

It is quite natural that a young democracy with paucity of trained personnel, lack of experience and believing in the ideal of a welfare state, should adopt this form of organisation. But, according to Government's own assessment, there is no finality about it.<sup>26</sup>

#### *Criteria for Determining the Type of Management*

There is no clear-cut criteria for determining whether a particular activity is fit for administration by a department or by a public corporation or by a government company. A three-fold criteria, even though there may be a difference of degree, may be applied, viz., (1) nature of the enterprise—whether it is purely commercial in character or whether it combines public or social service aspect with commercial aspect or whether it is purely public in character; (2) whether it is a basic industry or a public utility enterprise; and (3) the amount of autonomy that it would be most desirable to give. Perhaps public corporation would be found more suitable for several of the Indian enterprises now under company management (say, Steel) or under departmental management (say, Railways).

#### CREATION BY STATUTE OR EXECUTIVE ACTION

The normal method for the creation of a public corporation is through legislation by the sovereign legislature of the country, which may amend it also whenever necessary. It may also be created through the constitutional provision or by the executive of a country.

25. J.V.S. Rama Sastri, *Nationalisation and the Managerial Role*, Bombay, Popular Book Depot 1957, p.110.

26. The Planning Commission in the Second Five Year Plan said that questions relating to the organisation of public enterprises are under constant review. Shri K.C. Reddy said on a number of occasions in Parliament that the alternative methods be considered after some experience. *Lok Sabha Debates*, Vol. IX., Pt. II, 1954, Col. 3262-3263. Shri C.D. Deshmukh, Finance Minister, also said that they had not come to any conclusion on the question. *Ibid.*, Col. 3262. Also see *Lok Sabha Debates*, Vol.X, 1953 Col.1979.

Constitutional provision is necessary where the legislature could not be trusted to restrict its own power. In such a case the Act establishing the constitution lays down broad principles on which an economic public enterprise is to be operated, the details are left to be worked out by a future legislature in the form of a statute. This was done in the South African Constitution in regard to the railway and harbour administration (1909).<sup>27</sup> But such cases are the exception rather than the rule.

The creation of a corporation by executive action is also not looked upon with favour. The British Broadcasting Corporation was created by a Royal Charter on the basis of the Crawford Report and the Memorandum of Sir Evelyn Murray, Secretary to the Post Office.<sup>28</sup> Creation of the new body by statute would, the Minister stated in the House of Commons, probably result either in an undue restriction of its power or in prejudicing its operation from the start by giving the public the idea that it was "in some way a creation of Parliament and connected with political activity."<sup>29</sup> In U.S.A. prior to 1945, a number of public corporations were created by executive decree. This led to serious difficulties. The executive officials were able to utilize this device to enlarge their statutory authority and operations without review or approval of the legislature. This practice was stopped by an Act of the U.S. Congress which prohibited the establishment or acquisition of corporations by the executive, except by or pursuant to an Act of Congress.

The most common method of creation is by a statute of the sovereign legislature. Indian public corporations are all set up by statute; government companies are, however, created by executive action.<sup>30</sup>

Clearly, creation of public corporations by special legislative enactment is preferable to the other methods. It provides not only for advance review and approval by the legislature of the objectives of the enterprise but also for a clear definition of its legal status, its obligations and powers and its organisational relationships.

A difficult problem which the legislature has to face is how far should the Act go in laying down the constitution, functions and powers

27. A.B. Keith, *Responsible Government in the Dominions*, Vol.II, Oxford, Clarendon Press, 1928, p.732.

28. L.Gordon, *op. cit.*, p.164.

29. Parliamentary Debates, House of Commons, Vol 198, London, H.M.S.O., 1926, pp. 448-509.

30. The previous Comptroller & Auditor-General had characterised the constitution of Companies for administration of State enterprises as a fraud on Company Law and the Constitution. The present Comptroller & Auditor-General feels, however, that the emphasis should be on the retention of parliamentary control over all facets of State activities rather than the manner in which they are fulfilled.

of the public board. For this no hard and fast rules can exist. The nature of each case will determine the extent to which the statute should make provisions about the principles, constitution, functions, duties and powers of the corporation. So far as may be possible, explicit statutory definition should be made of the corporation's financial status, functions and powers. The administrative matters of an "internal character" be better left to be determined by the corporation as is generally the practice. The principle underlying the T.V.A. Act which deserves to be commended is "to set up a legislative framework, but not to encase it in a legislative straightjacket."<sup>31</sup> The statutes setting up public corporations in India have generally vested the Central Government with rule-making powers.

#### THE GOVERNING BOARDS OF PUBLIC CORPORATIONS

Five important questions arise in connection with the composition of the governing board of public corporations, namely, (a) whether there should be two boards or one? (b) whether they should be representative or appointive? (c) whether membership should be on a full-time basis or on a part-time basis and what should be the size of the boards? (d) what should be the qualifications for appointment to the board? and (e) what should be the tenure of members?

One general observation is necessary in connection with these questions concerning the composition. Experiment with the public corporation, in view of the latitude allowed to it, would stand or fall by the quality of men at the top level. The board must consist not only of men who are actuated by highest of motives, whose only satisfaction is the high prestige built up as a result of successful management of public enterprises but also of those who have energy, imagination, experience and technical competence to handle their jobs with success. Countries like India suffer from a handicap due to the shortage of managerial personnel, unlike England where a set of ready-made managers was available from private sector to the Labour Government. So far, therefore, heavy reliance has been placed on senior civil servants. The urgent need of an economic civil service is apparent.

##### *Two Boards or One*

The first question that arises in connection with the corporation is : should it have two boards or one. In certain countries of Europe, there are two boards as is the practice in joint stock companies. But they were more in vogue in pre-War years. France has adopted, since

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31. House of Representatives Document No. 130, 73rd Congress, 1st Session (1933).

World War II, a single-board system; the governing board has deliberative and controlling function, whereas the director-general is the chief executive. German railways have now returned to a two-board system—an executive of four, called Vorstand, appointed by the Minister and a bigger body called Verwaltungsrat representing four different groups of the community, serving as a Council of Control. In the English-speaking countries, on the other hand, the practice has been to have only one directing board corresponding to the Vorstand of Germany. The South African railways have a Board of Commissioner of four and Canadian railways have a Board of Trustees of three. The Tennessee Valley Authority in America has a single Board of Directors of three members. The various corporations in England have one governing board each. In their case the object of the controlling board is served by Parliament and the responsible minister who exercises ultimate control on behalf of the public. In India, the only example of a two-board public corporation is Life Insurance Corporation which has an Executive Committee of five and a Board of fifteen members.

The answer to the question posed at the beginning of the above paragraph is, therefore, not easy. Some writers favour the adoption of "double directorate" like the one which obtains in Germany.<sup>32</sup>

The arguments against a two-board system for a public corporation are unanswerable. First, an additional board would encumber the operation of the enterprise, as a large representative board would degenerate into a tug of sectional interests. Second, the problem of division of power between the two bodies is full of difficulties and policy and execution could not possibly be divorced in so thorough-going a manner. If the Vorstand is dominant, the "Council of Control" becomes just an advisory body and if the "Council of Control" is supreme, there is no need of a plural executive, a single manager being desirable for the execution of policy. Third, as one writer says, "however advantageous divided responsibility may appear in certain types of political organisation, an undertaking engaged in active operation of a dynamic enterprise, where definitive decisions must be frequent and rapid, requires a determinate location of power."<sup>33</sup> Moreover, in the case of a public corporation as distinguished from a government company, Parliament is there to control policy and so another policy-control body can only complicate matters. For

32. Prof. Cole is among them. See G.D.H. Cole, *Economic Tracts for the Times*, p. 295 A proposal was mooted by Sir Oscar Warburg for the control of London Transport before the Joint Select Committee on London Passenger Transport Bill (1931). Put before the Committee, the scheme was defeated on division.

33. L. Gordon, *op. cit.*, p.326.

all effective work, therefore, a single board is desirable. The various interests concerned could, however, be represented on an advisory body.

The actual experience of India and England shows that the two-board system has not worked successfully in the case of public corporations. In England the Transport Act of 1953 abolished the Railway Executive which was provided by the Transport Act of 1947 as a body to execute the policy laid down by the British Transport Commission. Secondly, the Indian Finance Corporation (Amendment) Act of 1955, after 7 years of experience, abolished the Executive Committee which had been found as hindering the working of the Corporation set up in 1948.

#### *Representative or Appointive Boards*

There are two main types of public boards: appointive and representative. The appointive is that which has members appointed by the Government of the country with or without consultation of certain interests. This is the prevailing practice in U.K. and U.S.A. In Britain, Ministers are sometimes also given the power to enlarge or reduce board membership as is the case with the Coal Board. India has also accepted the appointive principle for all her public corporations. The representative corporation is less common, as so far no satisfactory technique for it has been devised anywhere. The French practice of representing on the boards of their nationalised industries three equal groups of representatives—the state, the consumer and the employees—has not proved a success.<sup>34</sup>

Both for theoretical and practical reasons, a representative corporation is less desirable than an appointive one. It is not easy to determine which interests are to be represented and in what proportion and then there is the problem of representation of unorganised interests. The responsible Minister, however, represents all these interests. On the theoretical grounds there are two objections. First, efficiency requires that the board should act in a corporate spirit, which is not possible if the members of the board play the role of advocates of particular interests they represent; with the result that boards are unable to provide unity of purpose, energetic administration and coherent policies. This weakness was perceived in France and was sought to be counterbalanced by giving to the Minister, not the board, the right to appoint the Director-General of the enterprise. Single-mindedness is essential to the successful conduct of any big economic enterprise; and it is very difficult for a body which represents different

34. W. A. Robson, "The Governing Board of the Public Corporation", *Political Quarterly, XXI* (1950), p. 138.

vested interests to be single-minded. Representative bodies are likely to be too much at the mercy of the conflicting claims of vested interests, and too conservative in outlook to bring about the radical changes that are needed. Second, if the members are 'mere representatives', they may not satisfy the requirements of a board of experts who must possess special technical and managerial qualifications. The consumers and workers can be represented somewhere else, say, on advisory bodies. The above discussion leaves in the field, as the most desirable form, the appointive corporation. It can be safely laid down as a general conclusion for the future that the best method of appointing the boards of public corporations is by the Minister in consultation with certain interests concerned including labour.

#### *Size and Nature of Membership*

The actual number of members on the board will depend upon the nature and requirements of the undertaking. In some instances the legislature prescribes a fixed number of members on a board, in others it merely defines an upper and lower limit, in yet others it states only a maximum. The usual type is that where the number is flexible. In the case of the National Coal Board in England, originally the number was fixed—a chairman and eight other members—but the amending Act of 1949 converted the Board into a flexible type, whose number may vary between eight and eleven, in addition to the Chairman. There is an advantage in the flexibility of number as the Minister can seize the opportunity thus provided to appoint a man of unusual ability at the moment when he happens to be available.<sup>35</sup> No appreciable difference is noticeable in the statutory size of the board of post-1945 corporations and those established before 1939.

India has departed considerably from the British practice in respect of size, though in respect of the principle of flexibility of number, her practice is in line with the British practice in most corporations. The smallest size is 3—that of the D.V.C. and the largest is 34 in the case of Employees State Insurance Corporation, the size for others is in between these figures.<sup>36</sup>

The general principle about the size of the board is that it should be neither too small nor too large. If the board is too small, all the manifold problems cannot be expected to receive the attention required. If it is too large, the individual member's interest and responsibility

35. See W.A. Robson, "The Governing Board of the Public Corporation", *op. cit.*, p. 137.

36. State Bank of India has 20 members, Life Insurance Corporation has 15, Central Warehousing Corporation has 14, Industrial Finance Corporation has 12, Indian Airlines Corporation, Air-India International and Rehabilitation Finance Administration have 9 each.

will tend to be diminished. Its large size will also stand in the way of quick, effective and concerted decisions. The convenient size is five or seven. One writer puts the minimum size at three and maximum at nine.<sup>37</sup> Another regards from five to nine as the most satisfactory size of the board.<sup>38</sup> This is, of course, for the British type of corporation.

The nature of membership raises a very important issue. There are two types prevailing at present. One is the British type with all or a large majority of members serving on a full-time basis. The idea is to combine in a single body the executive and policy functions and to have functional specialisation at policy level. The popularity of this principle in England is shown by the fact that, though under the Transport Act, 1947, the British Transport Commission was to have at least five whole-time members out of a total of nine, actually the position after three years of its setting up was that all the members of the Transport Commission, except one, were full-time and seven out of nine members of the Railway Executive were full-time.<sup>39</sup> The other type is that on which all or almost all are appointed on a part-time basis. This has found favour with Japan and also exists in France and India. The Board of Directors of Japan National Railways Corporation is composed of five part-time members and a chairman and the result is "that the Board has no more than a nominal existence",<sup>40</sup> the executive have become the absolute masters of the whole organisation. In the case of Indian public corporations also, the membership is entirely on a part-time basis with a full-time chairman for all except two. It is interesting to note that the D.V.C., which was the first corporation to be established in India, began with a full-time membership but changed to the general pattern of part-time membership with effect from April 1958.

In Indian conditions, the choice of this type is justified for two special reasons. First is the non-availability of suitable persons to take up full-time work at policy level. Secondly, there is a great deal of saving in money. Moreover, theoretically, there are the advantages of concentration of executive power and responsibility in a whole-time chairman, and the avoidance of a too much "inside view" of corporation's problems. Though the suggestion of a single administrator instead of a board of three was set aside by a majority vote in

37. M.E. Dimock, "Principles Underlying Government-owned Corporations", *op. cit.*, p.35.

38. L. Gordon, *op.cit.*, p.325.

39. W.A. Robson, "The Governing Board of the Public Corporation", *op. cit.* p.146.

40. Shiro Okabe, "Public Corporation in Japan", *Indian Journal of Public Administration*, July-September, 1955, Vol. I, No. 3, p. 219.

In the case of T.V.A. by a Congress Investigation Committee, the definite trend in U.S.A. is to favour a single administrator to a board.<sup>41</sup> The best course in India would have been to make a trial with the British type in one or two big public corporations.

A connected question is about the appointment of Minister or of Government officials on the boards of public corporations, on a part-time basis. Canada has shown this tendency both at federal and provincial level,<sup>42</sup> a principle unknown in England. India has also adopted the practice of appointing senior departmental officials to the boards—a practice possibly dictated by either scarcity of competent personnel or by a desire to economise. In the case of two corporations—Employees State Insurance Corporation and the Rehabilitation Finance Administration, the chairman is an official, a Minister in the case of the former and a Departmental Secretary in the case of the latter. But the question deserves to be looked at from a policy point of view, not from a practical point of view. The philosophy underlying the policy has never been expressed, though Appleby in his second report has turned out to be a strong advocate of even hundred per cent official boards of management.

There is an overwhelming case against the presence of officials on the boards of public corporations. All participating in the Seminar on the Administrative Problems of State Enterprises in India held in December, 1957, were agreed that the Minister or Secretary to the Department should not be the chairman of the public corporation.<sup>43</sup> Some of those who had inside knowledge urged that the officials had no time even to attend meetings of the boards, far less give their sustained attention to the problems of the corporation.<sup>44</sup> Moreover, the whole idea of flexibility, autonomy and delegation is frustrated. Further, there is a blurring of managerial and supervisory functions in this practice, since, as Minister he will be supervising action of the corporation of which he or his representative is a member. The Estimates Committee, in its 41st and 43rd reports, has strongly urged against the appointment of officials. It may be suggested that since the Employees State Insurance Corporation and Rehabilitation Finance Administration are more in the nature of social service activities, they had better be administered by Government departments themselves, just like Railways.

41. H. Finer, *op. cit.*, p. 130.

42. J.E. Hodgetts, "The Public Corporation in Canada", *The Public Corporation*, 1954, p.76.

43. Indian Institute of Public Administration, *Administrative Problems of State Enterprises in India*—Report of a Seminar, New Delhi, December, 1957, p.28.

44. *Ibid.*, p.23.

*Qualifications for Appointment to the Boards*

Based on the experience of British public corporations, one would say that two considerations should receive special attention regarding qualifications for appointment. First, all partisan and political considerations should be kept out of the picture. Secondly, members should be technical, managerial and financial experts who have already established reputation for fairness, successful management and executive ability. As far as possible the best man should be sought. The members should be chosen more or less in this order: men with special knowledge and experience of the industry proper, of finance, of consumers' needs, of labour, with technical knowledge, persons familiar with allied industries and interests etc.<sup>45</sup> but more emphasis should be on men rather than categories.

For reasons of honest and efficient work, certain types of persons or interests, political or financial, are statutorily debarred from holding a post on the board. In the case of the British public corporations three-fold disqualifications are imposed—(a) being a member of the House of Commons, (b) having a financial or commercial interest directly or indirectly in the undertaking, which is likely to affect prejudicially the discharge of his functions as a member, or (c) absenting himself from the meetings of the corporation continuously for a certain period. In the case of Indian public corporations, the second of the above disqualifications is emphasised, not the other two.<sup>46</sup>

*Tenure of Members of the Boards*

In the pre-war corporations in Britain, either the actual or the minimum term of office of a person appointed to the board was specifically stated in the Act. The normal pattern for the post-1945 corporation is to leave the Minister free to deal with the question of tenure by way of regulation.

The boards have been appointed for tenures varying from three to nine years depending upon the circumstances of a country. The directors of the Tennessee Valley Authority are appointed for a term of nine years. The tenure for the railway boards in Canada, South Africa, France, Germany, is five, five, six and three years respectively. The Ministerial regulations in the recent public corporations in England provide for the appointment to be "for such term, not exceeding five years, as may be determined by the Minister before:

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45. This order is followed in the selection of members of the British Transport Commission.

46. Air Corporations Act, 1953, has it along the lines of U.K. statutes. It is interesting to note that the Air Corporations Bill as originally drafted laid down no disqualifications but left it to be determined by Central Government. They were, however, inserted on the recommendation of the Select Committee.

appointment of such member". The tenure is thus for a specified period and is not for an indefinite period, nor is it for life. But in almost all cases reappointment is possible so as to guarantee continuity of policy and to keep the services of tried and experienced men.

A rather difficult question to decide is whether the members should be removable during the term of office or not, and if removable, who should be empowered, to remove them. If the autonomy of the corporation is emphasised, they should be irremovable but if their public accountability is to be stressed, they should be removable. On the whole the latter principle should be favoured as a provision for removal will have a salutary check on the members' autocratic, obstructive and irresponsible tendencies. If the board fails to carry out the policy laid down by the Government, or if any member misbehaves or proves himself inefficient, he should be removable. The regulations so far issued enable the Minister to dismiss the member, if, in his opinion, the member becomes "unfit to continue in office". Only in the case of the British Transport Commission no specific statutory power for the dismissal of members of the Commission has been made. There is a danger that the power of removal may create a sense of insecurity among members and so the Minister has to exercise this power cautiously and rarely.

In India, the power of removal is there in all the statutes. In fact this power was not there only in the Indian Finance Corporation Act when first passed in 1948 but an amendment made in 1952 introduced this power on the lines of provisions in the Reserve Bank of India Act.

#### THE MINISTER AND THE PUBLIC CORPORATION

The question of powers of the public corporation boards is very crucial. On its autonomy and independence in day-to-day working will depend the success of the enterprise. "It is precisely at the point where Minister and Board meets", says Prof. Hodgetts, "that the paradoxical position (*i.e.* combining independence and responsibility) of the corporation strikes with full force."<sup>47</sup> So the question is to be studied in the context of Ministerial powers in relation to the corporation. The Minister's relations with the corporations in England as well as in India are governed by three factors, *viz.*, (a) statutory powers of the Minister; (b) non-statutory influence of the Minister, and (c) personal equation.

As regards statutory powers of the Minister, there is not much variation between Indian and English position, except that Indian

47. J.E. Hodgetts, "The Public Corporation in Canada", *op. cit.*, p.84.

statutes tend to give somewhat more powers to the Minister, as for instance his rule-making power is more extensive. His statutory powers are many. Firstly, he has the power of appointment and removal of the members of the Board. This power, even in the absence of the power of issuing directions, is singly sufficient to make the boards comply with his policies. Secondly, there is the power to issue general directions to the corporation. This is a post-1945 development in England. The only limitation is that they are issued on matters affecting "national interest" after consultation with the corporation and have to be published in the annual reports, unless the Minister notifies that it is against the interests of national security so to do. The actual exercise of this power of giving directions has depended on the readiness with which the boards have accepted Ministerial guidance and since the boards have chosen to comply with Minister's wishes rather than be directed, there are very few cases of such directions.<sup>48</sup> This fact has led to certain unfortunate results as it has reduced the responsibility of the Minister to Parliament. Thirdly, approval of the Minister is required to specified categories of actions, programmes and policies. Fourthly, a financial statement may be asked in advance for information purposes as in the case of Air Corporations in India. Fifthly, in India, the Ministerial rule-making power over staff administration and financial matters is very extensive. In the case of Life Insurance Corporation, this power extends even to such internal matters as delegation of powers by the Corporation to zonal managers.

It is now well known in England that Ministers do not use their statutory powers which entail responsibility to the Parliament but take advantage of the existence of these powers to influence the board and this is supposed to be considerable. This influence has been exercised through the practice of consultation—fully provided for prior to Ministerial action—which ensures that the boards are informed of what is expected of them and eliminates the necessity for Ministerial direction. But for this private consultation the Minister is not responsible to Parliament.

The Minister thus enjoys, both statutorily and in practice, a good deal of power over the public corporation, but some critical students have noticed that Parliament does not share that power and does not exercise that measure of control which was intended by the Parliament when it legislated on public corporations. Some keen observers have noticed the lacuna in this procedure and have suggested

48. E. Davies, "Ministerial Control and Parliamentary Responsibility of Nationalised Industries", *Political Quarterly*, XXI (1950), p.153. The Indian experience in this respect cannot be referred to with any definiteness. So far about ten directions are known to have been issued but it is not possible to say what is the nature and type of these directions.

remedies such as wider interpretation by Ministers of their responsibilities towards the corporation, a greater readiness to give information in Parliament, an abandonment by Ministers of their role as advocates for the defence of public corporation, removal of nationalised undertakings from the field of political controversy and providing more time for Parliamentary debate.<sup>49</sup>

The actual exercise of power, however, is determined in each case by personal equation and in India this equation is heavily weighted on the side of the Ministers. All who have knowledge and experience of this matter in India have no doubt that Ministerial control is too close and is exercised in a similar way.<sup>50</sup> An experienced administrator puts his opinion in these words : "There is a definite feeling among all the top people of enterprises that they are treated like inferior officers, who do not understand their business and that every Ministry thinks that they know their business better."<sup>51</sup> The only remedy at present seems to be to let the Ministers concerned ponder over this "definite feeling". It must, however, be said that the tendency in all countries is to strengthen the power of governmental control and India is no exception.

#### ACCOUNTABILITY OF THE CORPORATION

There are three important ways through which accountability of the public corporation can be ensured: (a) through Parliament; (b) through audit control, and (c) through consumer committees. There is also the device of a semi-judicial tribunal but we are not considering it here for lack of space.

One general observation is pertinent to make. A public corporation is in the last resort accountable to the public. So in democratic countries, public opinion is the final safeguard, not only to prevent the abuse of powers by the corporation but also to protect it against undue parliamentary or Ministerial control or criticism.

#### *Parliamentary Control*

Against this background should be studied the whole question of relationship of the corporation with sovereign legislature of the country. The position in India and England is constitutionally and legally almost the same. The legislature creates the corporation by

49. *Ibid.*, p. 159.

50. Chagla Commission enquiry led to this conclusion and so was the consensus of opinion of participants in the Seminar on Administrative Problems of State Enterprises held in New Delhi in December, 1957. (*Vide: Administrative Problems of State Enterprises in India, op. cit.*, p.32).

51. *Ibid.*, p.32.

its own statute and has the power to expand, contract, quash or vary its powers by an amending piece of legislation. Moreover, under a parliamentary system of Government, Ministers are in turn responsible to Parliament and so, to the extent the Minister enjoys powers over the public corporation, there is ultimate parliamentary control.

Besides the above ways, parliamentary control is exercised through (a) questions; (b) through annual reports and statement of accounts; (c) through chance debate; and (d) through committees of Parliament, standing, *ad hoc* or special.

A line of division generally drawn between the functions of the legislature and the corporation is that broad questions of policy are left to the former while questions of detailed working are transferred to the latter. This division is very delicate and often creates difficulties. Sometimes it becomes difficult to determine whether a question is one of policy or not. Who has the final word to resolve this difficulty? Is it the responsible Minister or the Speaker or the Member of Parliament? The Speaker may rule a question out of order, but, even if he thinks it to be in order, he has no converse power to compel a Minister to give an answer.<sup>52</sup> If the Minister says that he is not responsible for the acts of the statutory body, the Speaker cannot compel him to accept responsibility. So, though the Speaker may have the constitutional authority in such cases yet, in a certain sense, a Minister finally decides the issue. It rests largely with the Minister himself to decide how far he will answer parliamentary criticism. But in the final analysis the will of most of the members of the House will prove decisive. A Minister will dare not refuse to answer a question of a member who is supported by a large majority of the House, even if he thinks the question is one of administrative detail and he is not statutorily bound to answer.

As a normal routine, however, somewhere a line has to be drawn. The test should be whether the question involved concerns interests other than the interests of the industry concerned or whether it involved wider issues of public and general welfare. With the creation of an independent corporation, the presumption should be in favour of exercise of restraint by the legislature even in matters of policy. Though the degree of check will vary with the nature of the question, the primary consideration should be that the check exercised is for the good of the public. The questions asked in Indian Parliament on public corporation have been less in number than asked about government companies. There have been some questions showing regional

52. Lord Campion, ed. *Sir Thomas Erskine May's Treatise on the Law, Privileges, Proceedings and Usage of Parliament*, London, Butterworth & Co., 1950, p. 222.

interest or concerning a minor detail. The example of the former type may be mentioned as the one relating to the number of Bengali employees of the D.V.C.

Parliament at the end of every year, and in some cases in India, even earlier,<sup>53</sup> gets an opportunity to have a full debate on the corporation's policies and operation. The report debated upon should not only be complete but comprehensive also and show the improvements made during the year under report. The writer of the report should also be careful not to lose essential information in a mass of detail as few can afford the time to digest the mass of unnecessary detail. Further, the Minister may require the report to supply information on certain matters or submit accounts in a certain form. For instance, he may insist that the report should contain a statement of salaries.

In addition to these debates on annual reports, chance debates may also arise at any time in three different ways, viz., (a) regulations may be required by statutes to be subject to affirmative or negative resolutions; (b) on the Supply Day, the Opposition can select a public corporation for debate; and (c) adjournment motions may be moved by individual members.

The experience of both England and India is that the annual and chance debates have been unsatisfactory.<sup>54</sup> The main difficulties have been the limitation of available parliamentary time, the tendency on the part of the Ministers to play the role of advocates of the corporations whose boards they appoint and the non-availability of reports in good time. The three-hour debate in Lok Sabha on the Report of Indian Airlines Corporation for the year ended March 31, 1954, was on private member's motion and was not very enlightening. There was also a chance debate on parliamentary control of public corporations on December 10-11, 1953 in the Lok Sabha.

Parliamentary control is also exercised through its two Committees—the Estimates Committee and the Public Accounts Committee. Both have done valuable work in India. The former has submitted reports on D.V.C. (8th), Air Corporations—General (41st), Indian Airlines Corporations (43rd) and the latter has submitted reports on R.F.A. and I.F.C. (15th) and D.V.C. (18th) on the basis of Comptroller and Auditor-General of India's audit reports.

53. In some cases, say in the case of Rehabilitation Finance Administration, a six-monthly report is required. In the case of Industrial Finance Corporation, the report is to be submitted within three months of the close of the financial year.

54. For England, cf. "Problems of Nationalised Industry" in *National Enterprise; the Development of the Public Corporation* by Ernest Davies, London, Victor Gollancz, 1946. For India, cf. *Administrative Problems of State Enterprises in India*, op. cit., Ch.I.

In spite of the above devices, neither in England nor in India is there any satisfaction over the effectiveness of parliamentary control. Whereas executive control is real, parliamentary control is theoretical. The Chagla Enquiry report has emphasized as a basic principle that the main form of control should be through parliamentary review. In England the dissatisfaction led to the appointment of a Select Committee (consisting exclusively of the members of the House of Commons) in 1955. It took over the functions of the Public Accounts Committee extending still further the area of enquiries to include future plans and programmes. The emphasis of the work of the Committee is not only upon finance but also upon general lines of policy, excluding matters of detailed administration. "The object of the Committee should be", said the Parliamentary Select Committee, which recommended it, "that of informing Parliament about the aims, activities and problems of the Corporations and not of controlling their work".<sup>55</sup> The arguments for such a Committee are (a) that the few select Members of Parliament may give intensive study to the problem; (b) that they may investigate papers and that in the seclusion of a committee room there may be comparative freedom from political prejudices. The arguments against it are that it would mean negation of the principle of self-denial which Parliament had imposed upon itself and the initiative and freedom of nationalised industries would be impeded. In Indian Parliament a demand for such a Committee was made in 1953 and 1954 but was brushed aside by Shri C.D. Deshmukh by saying that India was just experimenting with public corporations and that they should wait and see.<sup>56</sup>

If such a Committee can serve as a safeguard against excessive control of the Minister over the corporation, we should seriously consider having it; otherwise it would lead to no better results than are obtainable through the Estimates Committee and the Public Accounts Committee.

#### *Audit Control*

In India at present the accounts of the public corporations are audited normally by an auditor appointed by the Central Government in consultation with the Comptroller and Auditor-General, the exception being the Air Corporation, whose audit is done by the Comptroller and Auditor-General himself. It is noteworthy that audit, in "association" with the Comptroller and Auditor-General, of the Indian Finance Corporation was introduced at the insistence of Parliament

55. *Report of the Select Committee on Nationalised Industries*, London, H.M.S.O., 1953, para 35.

56. *Lok Sabha Debates*, Vol.X, Pt.II, 1953, Col. 1923 and Vol. IX, Pt.II, 1954, Col. 3263.

in 1952 by amending the I.F.C. Act, 1948.<sup>57</sup> In Great Britain, in spite of criticism in Parliament and elsewhere, the Labour Government stuck to the practice of audit by private auditors. The practice of other countries varies—whereas, Australia has audit by the Comptroller-General, Canada follows the British practice, though recently she is drifting towards Australian model. In France, an Audit Commission was appointed in 1948 which, with the help of technical experts, analyses and reports to Parliament on the quality of the commercial and financial management of the undertaking and the results of operations. This system deserves notice and comes near to higher efficiency audit which Prof. Robson had suggested in 1937. Recently, Dean Appleby had held the Comptroller and Auditor-General as primarily responsible for reduction of freedom of the public corporations. That is not a correct appraisal of the position but certainly there is a good case for a "quality" audit as against "quantity" audit by some competent body.

#### *Consumers' Committees*

The public accountability of a corporation can be ensured not only through ultimate control of essential matters by Parliament and the Minister but also through the instrumentality of advisory committees of the consumers. It is possible to establish organisational relationship with consumers which assures accountability in a more direct and effective way without impairing flexibility. Great Britain has done most to establish such committees. In India, except for the Air Corporations, such committees have not yet been established. But there exist effective Railway Users Consultative Committees at central and zonal levels and their example could be emulated by some corporations. But any step in this direction should be taken with caution as, even in England, some critical students are not satisfied with their working.

The general principles on which they are constituted in England are as follows : (1) They are statutory in character. (2) Members are appointed by the Minister in consultation with the representatives of the interests concerned; the number varies between twenty and thirty. (3) Their functions and powers are restricted to the obtaining of information from the enterprises, bringing the complaints and opinions of consumers to the notice of the boards and giving of advice both to the undertaking and the appropriate Minister. (4) These bodies can secure acceptance of their views through Ministerial directions. (5) These Committees publish their views and make annual reports to the Minister. Thus these bodies have their usefulness in so far as they can appeal over the head of their boards to the Minister and cross swords with the corporations.

### SOME BROAD PRINCIPLES

A few broad principles may be outlined if the public corporation is to be a successful undertaking. The questions of an internal character about the administration of a public corporation are better left to be settled by the board of the corporation, which is the best judge of the administrative organisation, the degree and methods of decentralisation and, within limits, of the system of staff management and labour relations suitable to its service.<sup>58</sup> This principle requires implementation in India.

When none of the members of the board serve on a full-time basis, the case for a single permanent chief executive at the head is the strongest, as is the case with a joint-stock company where board of directors cannot dispense with a managing director. If, however, the board is a full-time board or a partially full-time one, the relative impermanence of their tenure has made it necessary to appoint a general manager in addition. Further, the departmental officers work in watertight compartments unless co-ordinated by a unified authority. Every phase of a business has a bearing upon almost every other phase and so if no provision is made for co-ordination, best results cannot follow. Again, in the absence of one undisputed leader, the morale of the employees is bound to suffer if there is a friction among the members of the board and an atmosphere of vacillation will develop. Moreover, the bifurcation of the two functions, decisions on policy, and their actual execution, would not allow concentration of power in the hands of either the board or the general manager. The achievements of the Director-General of pre-1939 German Railways is a case in point to prove the value of this office. Administrative autonomy and unified executive may almost be referred to as primary principles of management.

### FINANCE

On the large question of finance with its various facets, space does not permit more than a mere mention of the methods of raising finance. The fundamental idea of a public corporation is that it is self-supporting. Its object is to provide a service out of the revenues made available to it in exchange for that service. It aims at service, not profit. It also follows from the fact of the economic nature of a public utility undertaking that its finances have to be self-contained so that it may have the necessary flexibility and continuity in financial

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58. The T.V.A. Act is a model in this respect; it says that "The Board should direct the exercise of all the powers of the corporation".

policy and operation. The traditional method of financing a public service through the medium of annual appropriations by the legislature from the revenues of the state is regarded as unsuitable by all students of public corporations. So is private shareholding in the form of ordinary shares wholly incompatible with socialisation as it would seem to imply the continuance of private ownership leading to a demand for control of the undertaking by private persons or groups. A preference stock, with a maximum and perhaps a minimum limit to dividend, may not be so undesirable. In Europe, private share-holding with limited rights in the field of public utilities was allowed. The mixed undertakings became very popular there. Socialists anticipate that capital development will in the main be financed from revenues accumulated by socialised undertakings out of surplus income, just as many joint stock concerns are accustomed to finance normal developments out of reserves. The system prevails in U.S.S.R. This method may be practicable and desirable in a completely planned economy but its exclusive use may not be recommended in a capitalist or a semi-capitalist economy.

There are two other methods of financing which deserve careful consideration : (1) Capital financing by state direct or by a national investment board, which acts as an organ of the State. (2) Issue by the Corporation itself, in the open market, of interest-bearing fixed debentures with or without state guarantee. The first of these methods is common in Europe and America. In England this form of financing exists as an exception rather than a rule. There the method of financing through issue of debentures in the open market is regarded as most conducive to flexibility and business efficiency. It is feared that government stock ownership might lead to excessive ministerial and legislative control over the enterprise while in U.S.A. the danger is obviated by the fact of non-parliamentary nature of her constitution. It is further contended that the independence of the corporation is jeopardised in practice by the presence of the Government representative on the board who may misuse his voting power for political ends.

In India, various methods of financing have been adopted for her public corporations. In some cases there is share capital, in one there are contributions made by the employees but in most the Central Government has supplied capital to the public corporations. In the case of Air Corporations, provision is made for subsidies. Experience will show how they are able to maintain financial autonomy.



## CORPORATION VERSUS DEPARTMENTAL FORM IN ROAD TRANSPORT

*V. V. Ramanadham and N. K. Nangea*

THE problem of choice between the corporation and the departmental form is a familiar one for the students of public enterprise. It is not proposed to discuss it here in abstract terms. The object of the article is two-fold : to provide the theoretical analyst with a case study illustrating the empirical considerations underlying the choice; and to provide the policy-makers with a scientific analysis of the conditions relevant to the choice in the case of road transport. The fact that there are already several corporations as well as departmental organisations in the field enriches the factual content of the discussion, though at the same time it does complicate the conclusions on choice.

The urgency of the discussion arises from three basic considerations. Firstly, there is the need to ensure that the rapidly expanding nationalisation of road transport is accompanied by the most appropriate form of organisation, in order that the efficiency of the nationalised services may be at its maximum. Secondly, the framework of organisation must be so evolved that the Central Government and the Planning Commission would have no reason to limit or disfavour the State Governments' plans of extended nationalisation of road transport. Thirdly, it is necessary to distinguish the relevant from the spurious and popular arguments in favour of either the departmental form or the corporation and build up the argument of choice on a pragmatic basis.

Considerable importance has already been attached to this question by the Planning Commission which advised the States, as early as in 1954, of the desirability of setting up tripartite corporations. The principle was reiterated at the time the Second Plan expenditures of States on road transport were approved; and the Planning Commission has since stuck firmly to the view that these allotments were conditional on the formation of corporations. Bombay and Delhi already had corporations; corporations were formed in Kutch, Saurashtra, Andhra Pradesh and Bihar, partly as a sequel to this policy, though U.P., Kerala, Assam and Orissa refused to accept the suggestion. Mysore, Madhya Pradesh and Punjab are still considering the question. Meantime the Planning Commission seems to be keen on presenting the non-conformist States with a slash in their general plan expenditures to the extent of their outlays on *departmental* road transport.

Clearly the problem of choice has gone beyond the precincts of academic analysis and has assumed great public importance. A passionate discussion is likely to be helpful in practical policy formation.

Let us start on the basic assumption that the organisation of an industry must be conducive to its special requirements. The distinctive features of the road transport industry, which may be held among the criteria of choice of organisation, may be briefly enumerated as follows :

- (i) The optimum unit is small in size; the overall organisation, if any, must be such as would admit of the functioning of the small optimum units as autonomous commercial units.
- (ii) The several optimum operating units may, if at all, be inter-linked by means of loose organisation which may provide a few central services, if such a course makes for economies.
- (iii) The operating conditions are so diverse from region to region that methods and practices may have to vary accordingly and there must be sufficient scope for quick decisions by local managers.
- (iv) There is special premium on personal contact with the operating staff; the task of preventing leakage of collections calls for devices connected with the personal factor; and conditions must be promoted for the emergence of local leadership for the staff.

The under-current of these desiderata is the propriety of small units and decentralised managerial behaviour in road transport. If nationalisation is likely to affect these two conditions—and if we decide on nationalisation—it is imperative to decide on a form of organisation that least damages these conditions.

#### THE THEORETICAL FRAMEWORK

The case for a corporation, as against a department, may be summed up briefly in the following terms :

- (1) *Principles of Working* : The corporation can work on business principles and adopt the necessary pattern and degree of diversity in operating methods and pricing policies, as required by the varying conditions of supply and demand in the different regions. It can be free from political interference in its routine operations.

(2) *Routine Working* : It can adopt commercial practices and be free from governmental procedures, with reference to the maintenance of accounts, expenditure, recruitment, promotion and salaries, purchases, etc.

(3) *Management* : It can function autonomously; the corporation method permits of the composition of the board in a variety of ways, so that the most appropriate in a given situation may be adopted. Further, there can be enough flexibility in the capital structure; private capital can be invited, if need arises.

(4) *Price and Profit Policies* : The corporation can work on the basis of long-term policies of pricing and profits; and the identity of its operations is not lost in the aggregate financial operations of the Government, year by year.

(5) *Government vis-a-vis The Corporation* : The corporation can be treated as an economic organisation, to which the Government is not a direct party; and whenever conflicts inherent in the industrial system, involving consumers' and workers' interests, arise, the Government can maintain its detached position as arbiter.

#### THE LEGISLATIVE BACKGROUND

The public corporation, unlike a joint stock company, has no universal legal form. Each corporation has its nature and structure defined by the Act which brings it into being. It is, therefore, necessary to examine first the statutory structure of the road transport corporations in this country and enquire as to what extent it conforms to the theoretical mode of the corporation.

As our main purpose is to compare the department and the corporation, such provisions of the Acts may alone be examined as concern the points of contrast between the two forms. The provisions may be classified threefold, corresponding to the following three questions:

A : How far is the theoretical distinctiveness of the corporation preserved by the Acts ?

B : To what extent can this distinctiveness be actually preserved, or deviated from under the written word of the Acts ? and

C : Where is the distinctiveness not preserved at all ?

The relevant Act is the Road Transport Corporations Act of 1950 which permits the establishment of corporations at the State level; the Delhi Road Transport Authority Act of 1950 may also be examined as an illustrative piece of legislation.

As regards question A,

- (i) Section 22 enjoins on the corporations to "act on business principles".
- (ii) Section 23 permits the corporations to raise capital by the issue of shares; and makes possible the Central Government's financial participation in them.
- (iii) Section 26 empowers the corporation to "borrow money in the open market" for raising its working capital.

The above features are not usually characteristic of a State department and go with the corporations.

B : The provisions listed below can be availed of in operating the corporation in consonance with the spirit of its underlying principles; they can also permit practices that run counter to it. The practical autonomy of the corporation depends on the way in which these "permissive" or "flexible" provisions are implemented from time to time and case to case. Their analytical significance is that it is possible to find one corporation working more autonomously than another at a given time and that the degree of autonomy of any or all corporations can be extended or curtailed at the will of the Government in which the power of implementing these provisions vests.

- (i) Section 5 leaves undefined the potential membership of the board so much so that it may be composed of all officials, all non-officials, or any combination of the two. On the exact constitution of the Board depends its inherent capacity for autonomous decision making and commercial behaviour.
- (ii) Section 29 provides for the creation of reserves, but subject to the directions of the State Government.
- (iii) Section 33 provides for the appointment of the auditor by the State Government. The audit can be commercial or strictly akin to government practice and procedure according as the auditor appointed is a non-Government person or the Accountant-General.
- (iv) Section 34 empowers the Government to give directions to the corporation. While such a provision is inherent in many a corporation Act, the specified range of items to which the directions may refer is wide under this Act. In the final analysis, the degree of autonomy of the corporations depends on the frequency and coverage of the directions issued in practice; in an extreme case the corporation can be reduced to the status of a department.

C : Lastly, there are provisions in the Act which tend to reduce the corporation to the level of a department.

- (i) Under Section 14, the General Manager and the Chief Accounts Officer are appointed by the Government. Naturally their primary allegiance is to the Government and they have to look to it for their progress in career.
- (ii) Section 30, dealing with the disposal of profits, empowers the Government to determine the use of profits earned by the corporation; in an extreme case it is possible for all the profits to go to the Government, just as the profits of a departmental undertaking do.
- (iii) Section 32 obliges the corporation to submit its budget for approval by the Government. Besides, the Section is so worded that the budget can operate with the rigidity characteristic of a department's budget.

The last two provisions are contrary to the spirit of a corporation; similar clauses are not found in the British Corporation Acts.

The Delhi Road Transport Authority Act runs on parallel lines. Section 4, relating to the constitution of the Authority, is clearly illustrative of the official and "representational" character of the top board, and Section 38 unequivocally cites the Comptroller and Auditor-General of India as the auditor.

The conclusion is that the Acts defining the road transport corporations in India do not allow them the full measure of autonomy which is generally held as the major reason against departmental management.

#### THE COMPARATIVE FINANCIAL POSITION OF CORPORATIONS AND DEPARTMENTS

As we turn to the grounds of practical experience in discussing the problem of choice, we may commence with one popular comparison between the corporations and the departments, *viz.*, the criterion of financial success.

The seven road transport corporations, (Bombay, Bihar, Pepsu, Andhra Pradesh, Kutch, Saurashtra, Delhi) made a profit of 10.6 per cent of their aggregate capital in 1957-58. The fourteen departmental undertakings (Assam, P.T.S. Nagpur, Marathwada, Kerala, Madras, Mysore, Orissa, Punjab, U.P., Rajasthan, West Bengal, Himachal Pradesh, Manipur, Andamans & Nicobar) earned about 14.8 per cent.

There have been losing undertakings both among departments and corporations—e.g., Bihar and Andamans among the former case, D.T.U. and Kutch among the latter.

Some of the highest rates of profit have been associated with the departmental undertakings of Punjab, U.P., and Andhra Pradesh; at the same time the Pepsu corporation stands equal to the Punjab Roadways, with the highest rate in India.

The above facts show that there is possibly no direct association between profitability and the form of organisation. There is enough reason to believe that the financial results of many undertakings have been influenced by their local operating and other peculiarities. The point may be illustrated by comparing the corporation in Bombay with the equally large and spread-out but far more profitable operations in U.P.; and the unprofitable corporation in Delhi with the profitable city services of Madras and Calcutta under departments.

## THE ROAD CORPORATION & PLANNING

Taking the criterion of financial success as inconclusive in regard to choice between the corporation and the department, we may now discuss the contentions of the Planning Commission in favour of the corporation form, in view of their importance for policy formulation. The two arguments advanced by the Planning Commission are : (a) that the corporation permits of the fusion of the financial interests of the States and the Railways in the field of road transport; and (b) that the corporation ensures commercial principles of working.

Theoretically there is no justification to create a road-cum-rail monopoly for the sake of co-ordination. Co-ordination is not an easily definable term. It, however, does not imply the financial well-being of railways through the suppression of road transport.

It is doubtful whether the few railway members on the corporation board can influence its policies all the time. Nevertheless it is possible for them to adopt a successful negative approach, wherever the railway interest is affected, e.g., railway opposition to the corporation's applications for new route permits which may be competitive with railways.

There is a more fundamental flaw in using the corporation as an organisational device for co-ordination. It is not for a road-rail undertaking to implement policies of co-ordination. It is for Parliament to declare the policy which ought to be enforced, whether a transport undertaking is wholly railway, wholly road, or rail-cum-road in constitution.

In choosing to travel by bus the passenger after all exercises his own volition and choice regarding the mode of travel. Any interference contemplated through railway influence on the corporation amounts to suppression of his choice.

It may, therefore, be concluded that the case for the corporation suffers, but not gains, on the ground of road-rail co-ordination.

However, the other ground of facility of working on business principles appears to be quite valid; and the rest of the discussion will relate to it.

#### AN OBJECTIVE ASSESSMENT

Bearing in mind the statutory limitations to the theoretical merits of the road transport corporations in India, we attempt below an assessment, from practical experience, of the case for the corporation as against the department.

##### *Board and Decision-making Authority*

The composition of the boards of all corporations is not similar, as shown in the following table.

*Constitution of the Corporation Boards*

Corporation	No. of Members		Chairman		Total
	Official		Non-official	Official	
	Govt.	Rly.		Non-official	
Delhi	4	..	3	Chief Commissioner, Delhi	8
Pepsu	3	1	..	Secy., Tr. Dept.	5
Bombay	4	1	4	Mr. Saraiya	10
Kutch	2	1	1		5
Saurashtra	2	2	2		7
Andhra Pradesh	5	2	2	Chief Secy.	10

\*Data collected from the records of the respective State undertakings.

The earlier citation of the "permissive" provisions may be recalled; these have permitted a variety of constitutions in practice. The chairman is a non-official in the case of Bombay, while officials hold the post elsewhere, e.g., the Secretary, Transport or Home, the Chief Secretary and so on.

There is generally a predominance of official members. About two-thirds of the aggregate number on all Boards are officials. In the case of PEPSU, all are official members, while Bombay has the largest proportion of non-officials—five out of ten.

Among the non-officials, members of the legislature find a place. In Bihar the chairman of the corporation himself is an M.L.C.

There have been frequent changes in the composition of the Boards. For example, the PEPSU corporation has had four different chairmen since its inception in 1956. Different persons sit on the Board representing from time to time the selected departmental interests. The Saurashtra corporation illustrates the point. This is an unfortunate result of the system of official membership on the Boards.

The inferences which may be drawn from the actual constitutions of the Boards are as follows :

- (a) Being heavily 'stuffed' with government men, the corporations cannot claim commercial competency superior to that of the departments.
- (b) The official members, being steeped in official traditions, bring the usual departmental considerations to bear on the corporation's decisions.
- (c) There is insufficient continuity of membership on the Boards to ensure efficiency and long run loyalties.

In spite of these qualifications to the autonomous potentialities of the corporations, three favourable points ought not to be overlooked. Firstly, the Boards meet frequently and quicker decisions than under departmental organisation emerge. This claim is justified specially in the case of Bihar and Andhra Pradesh where departmental organisations have recently been transformed into corporations. Secondly, though substantively the Boards' deliberations tend to be similar to those of the departments, decisions can emerge from the board room without the back-and-forth dilatoriness involved in departmental decisions. Lastly, an improved constitution of Boards is basically possible under the Act.

The conclusion, therefore, is that the intrinsic superiority of the corporation is not totally lost on the ground of the present pattern of the boards.

#### *Top Management and Managerial Succession*

Theoretically the departmental undertaking is subject to three handicaps: (1) The recruitment of staff does not take place on criteria of commercial efficiency; (2) Managerial continuity is lacking in that the occupants of top posts look at the whole range of the governmental establishment for prospects in their career; and (3) Managerial succession at the top levels is qualified by the extraneous considerations—e.g., is the successor an I.A.S. person? and what are the claims, on grounds of seniority, of “non-I.A.S.” personnel to the posts in the Transport Department? Thus there exist horizontal lines impeding the vertical hierarchical promotions within the hierarchy.

In an organisational review of the existing departmental undertakings four types may be distinguished :

- (1) The Transport Commissioner has under him a Director of Government Transport, as in Punjab, in charge of the transport undertaking.
- (2) The Transport Commissioner is the head of the transport undertaking and is assisted by one or more deputies as in U.P.

A slight variation is that, on assuming the headship of the transport undertaking, the Transport Commissioner temporarily relinquishes the duties as the Commissioner as in Bihar until the recent inception of the corporation.

- (3) The Transport Secretary to the Government may also act as a part-time head of the transport undertaking as in West Bengal.
- (4) An official board may be set up to control the undertakings, as in Bombay in respect of the Provincial Transport Service, and the State Transport, Marathwada, both of which were incorporated into the Bombay State after the re-organisation of the States.

These methods are all subject to the basic handicaps outlined above, though the last one implies an attempt at mitigating them to some extent. Turning to the others, and more common forms, we may observe that the first one is possibly the best, in that it places one

person in exclusive and full functional charge of the undertaking and he can provide the necessary elements of leadership for the hierarchy of staff under him. The second one is of less certain value, for much depends on the personality of the Transport Commissioner who holds multiple duties and there arises a duality of leadership from the two top layers of the hierarchy. Further, it is doubtful if the Deputies can always reach the top post; hence the very top may be occasionally filled up by a "non-I.A.S." man. The third method is the worst, the most serious weakness being the practical absence of leadership-nucleus at the top, for the Secretary is too big, too isolated and part-time, and perhaps too inexperienced in this commercial line to enthuse initiative at the lower levels.

The corporations, on the whole, have the advantage of a higher order of executive leadership and responsibility in the top-managerial echelons. However, the statutory power of the Government to nominate the General Manager has resulted in a clear bias for the choice of I.A.S. men for the post, e.g., in Bombay and Bihar. Three disadvantages seem to flow from this practice. (i) The post becomes an I.A.S.-preserve, impeding the prospect of promotion of the non-I.A.S. Deputy to the top post. (ii) A change in the General Manager implies the advent of a fresher. (iii) The I.A.S. General Manager adopts too passive an attitude before the board which, as noted already, is heavily stuffed with senior civil servants.

The superiority of the corporation over departmental management will greatly improve if the top managerial posts are filled up on criteria of functional expertise and if the duplication of civil servants at the levels of the board and of top management is stopped. Such a step is possible, though not yet widely practised, under the Act.

#### *Supply of Capital*

Road transport corporations have the advantage of attracting capital from non-government sources and from the railways. Theoretically, they can have a "mixed" capital structure; and the procurement of funds can be sufficiently flexible. Actually, however, the capital has been provided by the State Governments and the railways only; so that the capital structure has remained completely non-private in character. The capital supplied by the railways is of varying importance for the different corporations as shown below. Not more than a fourth of the total capital at charge of the corporations has come from the railways.

*Capital Structure of Corporations*

<i>Corporation</i>	<i>State Government</i>			<i>Railways</i>	<i>Total</i>
1. Andhra Pradesh .. ..	245	50	295		
2. Kutch .. ..	17	4	21		
3. Saurashtra .. ..	50	24	74		
4. Bombay .. ..	803	407	1210		
5. PEPSU .. ..	29	5	34		
6. D.T.U. .. ..	—	—	248*		
7. Bihar** .. ..	155	—	155		
<b>Total ..</b>	<b>1299</b>	<b>490</b>	<b>2037</b>		

\*Central Government's outlay.

\*\*Railways have not yet subscribed.

The railways have been provided with an allotment of Rs. 10 crores under the Second Plan for investment in road transport corporations. It is doubtful if, for the sake of co-ordination, the railways should be financial participants in road transport. The question was discussed earlier from another angle. One may ask why, in the spirit of co-ordination, those in charge of road transport, for example, the State Governments, should not be encouraged to participate financially in the railways so as to influence their policies. We do not suggest that this should be done but that, in principle, it is no less justified than the other policy.

#### *Centralisation vs. Decentralisation*

In theory, the corporation is better placed than the department in being able to decentralise the operations as far as the particular needs of particular situations require; whereas the department is constrained to adopt given procedures in all situations. In an extreme case, it is possible for the corporation to operate as a very loose federation or holding company permitting the sub-units to function as small autonomous optimum units.

It is difficult to say, on the basis of practical experience, whether the corporations have really availed of their superior organisational opportunities. The departmental undertakings of Punjab and U.P. present a fair degree of decentralisation in most matters. The example of U.P. is particularly striking; in spite of the extensive areas served, the Regional General Managers are given sufficient freedom to adopt flexible practices of operations and fare making, though technically

under the final approval of the Transport Commissioner. They are empowered to initiate fare differentials from route to route on traffic criteria; whereas in Bombay the corporation makes a heroic attempt at the maintenance of a uniform fare base in all areas served by it. Another example is the corporation in Andhra Pradesh, struggling to maintain unnecessary uniformities as between areas of different operating and demand conditions, *viz.* Andhra and Telangana.

From our experience it seems that two factors determine the degree of decentralisation. These are, not the area served or the size of fleet, but (a) the traditions developed over time and (b) the inherent possibilities of the system of organisation. On the latter ground, the departmental units are ill-placed. For example, they have to make certain purchases through the Director of Industries or of Cottage Industries in Uttar Pradesh. The government auditor's attitude is somewhat non-commercial and compels the undertaking to adhere to rules rather than take commercial risks. Even the temporary creation of posts in regions has to be approved by the top authority. In Bihar the transport undertaking had experienced the difficulty of insufficient co-operation from the P.W.D.

The corporations are generally free from these handicaps, though they are subject to the same kind of audit as the departmental undertaking is.

It is impossible to generalise on the other determinant of decentralisation, namely, traditions. From experience, we can only conclude that there are corporations as well as departments which have achieved a fair degree of decentralisation.

#### *The Disposal of Profits*

The corporation, unlike the department, is at an advantage in being eligible to the retention of a part of its profits for re-investment purposes. This offers it some freedom from the Government in the matter of its capital expenditure programmes.

However, not every corporation has been allowed to build up reserves, for example, the Pepsu Corporation, as such a course depends on the Government's directions.

The profits of the corporation reach the Government for "road purposes", as per the Act. This is less desirable than an arrangement under which the amounts are earmarked for "road transport purposes". Under the Act, there is no guarantee that the profits earned by the corporation constitute an addition to the road expenditures otherwise

made by the Government; there may be a corresponding slash in the latter. Earmarking of the profits for road transport purposes may have the advantage of ensuring the expansion or improvement of the transport services from which the profits have arisen.

On the whole, therefore, as long as the Government has the final word in permitting the transfer of profits to reserves, the corporation is not necessarily at an advantage over the department, though theoretically it can be. Moreover, the Government is not prevented, in the case of the departmental organisation, from setting up a board within the department, analogous to the Railway Board, and entitling it to the creation of reserves. This has, however, not taken place.

#### *Income Tax*

The liability of road transport corporations to income tax has worked in the direction of dissuading the State Governments from forming corporations, though strictly this ought not to be a determinative consideration. From the overall national angle, it makes little difference whether the profits are wholly retained by the State Governments or partly reach the Central Government through income tax. But the State Government prefers, from its narrow financial point of view, the departmental organisation.

The liability to income tax must be recognised as a serious factor hindering the formation of more corporations in the country. The possible developments in this direction may be outlined as follows. Firstly, if the State Governments are forced to convert their undertakings into corporations, they may do so but simultaneously raise the motor taxes, including the recently innovated passenger tax, so that while the State Government continues to benefit from higher tax revenues, the Corporation will be left with too little profit for income taxation. Secondly, State Governments may retaliate by refraining from extended nationalisation. Thirdly, special arrangements may have to be worked out for the eventual return to the States of a major share of the amounts collected by way of income tax from the road transport corporations. In other words, the rules relating to the non-corporation income tax collections may be extended to this particular area of corporations. This will clearly make for the formation of more corporations; and if the corporation is the better form of organisation, the development will be beneficial to the country at large.

#### *Overall Transport Policy*

The relative suitability of the corporation and the departmental form may also be examined from the standpoint of the evolution of the

overall transport policy of the State Governments. The discussion may proceed firstly under the assumption of incomplete nationalisation, and next, under that of complete nationalisation.

(a) Incomplete Nationalisation : The departmental organisation enables the Transport Department to apply flexible policies towards the extension of nationalisation; and care may be taken to phase it with an eye on the provision of alternative routes to the displaced operators as far as possible, though not always. This is an advantage which has been claimed especially in the case of the U.P. Roadways. As far as the extension of nationalisation is basically a political decision, this advantage is of some weight. On the other hand, where the expansion is dictated by the economic consideration of making the road transport units the optimum units, the corporation seems to be the better alternative since it can proceed mainly on commercial principles. Further, the corporation offers the Government the prospect of sitting in dispassionate judgement over the ethics of co-existence between the public sector and the private sector.

It is difficult to specify which is the better form on the ground of its relations with the Regional Transport Authorities. The departmental organisation may be liable to greater political influence from the Regional Transport Authorities, especially where the latter are composed partly of non-officials and M.L.As. In practice, however, both departments and public corporations had to meet the same degree of non-cordiality from the Regional Transport Authorities in several cases of issue of permits for routes.

(b) Complete Nationalisation : Under this condition, the corporation seems to be preferable for two reasons. Firstly, political considerations are no longer relevant to the question of extending nationalisation and the exclusive function of the undertaking is economical operation. Secondly, the Government can act as an impartial arbiter in situations of differences between the corporation on the one side and either workers or the travelling public on the other.

On balance, the corporation guarantees the appropriate evolution of overall transport policies in the State.

#### CONCLUSION

In the light of the above discussion we may present the following conclusions :

(1) The road transport corporations in India are limited in their autonomy by the legislation concerned.

(2) Practical experience does not provide us with conclusive evidence on the relative efficiency of the departments and the corporations.

(3) The Planning Commission's insistence on the formation of corporations may have the effect of delaying the extension of nationalisation in certain States; alternatively the nationalisation may be undertaken by States at the risk of a slash by the Planning Commission in their Plan expenditures elsewhere.

(4) The case for the corporation improves if the "permissive" provisions of the Act are so implemented by the State Governments as to distinguish the corporation from departmental organisation.

(5) The corporation form has a definite advantage if there is a genuine need for and intention of associating non-governmental capital with it.

(6) The corporation may turn out to be a better alternative where the services extend over a wide region and the operating and demand conditions are diverse within the region. However, the real device necessary under these conditions is the creation of optimum sub-units; and the overall form of organisation is of less significance once this is ensured.

(7) The corporation is justified if only it provides against the introduction of railway influence bordering on the limitation of road transport. The choice of a corporation must be determined by its organisational superiority; and the real answer as to the meaning of co-ordination and the means of achieving it must come from Parliament. We submit that the Planning Commission has perhaps given a wrong twist to the case for the corporation by overstressing the plea of road-rail co-ordination.



## CORRESPONDENCE

### RESEARCH IN PUBLIC ADMINISTRATION

The Editor,  
*I.J.P.A.*

Sir,

While the readers of the last issue of your *Journal* will be greatly indebted to Shri Athreya for posing certain basic questions about the organisation and direction of research in public administration in India and underlining the importance of the right perspective therefor, there is a fundamental lacuna in the scheme of research proposed by him. True, that research is "organised study and analysis of material in a particular field",<sup>1</sup> but I believe that the experience of the majority of research workers in administration, as in any other sphere, is that while systematic gathering of data and their recording in a scientific manner help to reveal their true significance and relationship, any original contribution by the research worker emerges not from this systematisation but from the knowledge immanent in the unknown, a fact which scientists are disinclined to admit openly but which is none the less if not all the more true. Therefore, while 'team approach' or *group* effort has its use, it does not form the real nucleus of research which lies in the development of the *individual* research worker—in the systematisation and development of his knowledge and insights, in the growth of his powers of analysis and synthesis, in deepening of his imagination and in enlarging of his vision. Obviously, in

these matters 'team approach' has little to commend itself, particularly at the present stage of the study of public administration in our country. I, therefore, submit that the main emphasis in public-administration research should be on the individual worker rather than on 'team approach'; recognition of this overall truth can alone provide the right perspective for public-administration research in India as elsewhere.

Two facts which seem to be vital to the promotion of research are: professional recognition of the individual research worker and overall direction of a high order.

As regards the first of these, Prof. Pfiffner points out that "research technicians should be regarded and treated as persons with professional status. Hence, they should be under the same type of supervision as professional group. They should not be held to the same rigid time standards as the clerical workers. An hour more now and then for lunch need not call for explanation."<sup>2</sup> Again, "Researchers are quite naturally and justifiably covetous of the prestige which may result from having their names on a worth-while report. It is fairly general practice to put the name of a single author on the cover or title page and to mention multiple authors in the letter of transmittal. On the whole, it would seem desirable to extend as much recognition of this type as is possible."<sup>3</sup>

<sup>1</sup> Pfiffner, J. M., *Research Methods in Public Administration*, New York, The Ronald Press Company, 1940, p. 3.

<sup>2</sup> *Op. cit.*, p. 57.

<sup>3</sup> Pfiffner, J. M., *op. cit.*, pp. 54-55.

Shri Athreya has stressed the need for a knowledge of tools of social service research; but there is no reason why the research worker in administration should not draw upon the modern mathematical techniques of analysis, and even upon automaton. The fact that the present stage of our economy and administrative practice does not make feasible their use should not blind us to their phased application—over a period of time.

Research to my mind is like a journey in darkness through a wood with a torch in hand. The traveller at night can see the path ahead only for a few hundred yards; he does not know what lies beyond; but as he proceeds he sees farther and farther ahead till he reaches the end of the journey. The jumble and maze of search then ends and the entire picture stands out in clear outline. In guiding such a path-finding journey, the director of research plays a unique role. He is a counsellor, teacher and a supervisor as well as a friend who indicates the direction, provides the torch and supplies inspiration and patience so essential for research. It is knowledge, vision and insight and the ability to integrate diverse experience which are a *sine qua non* for effective direction of research. Professor Pfiffner adds social stand-

ing to the academic eminence of the director in the following words :

"When discussing the director's qualifications and duties, it is necessary to have in mind the wide variety of governmental research organizations extant... His preoccupation with the techniques of fact-finding may be decidedly subordinate to demands for other directions. ... Indeed, his most effective work may consist of committee meetings, conferences, telephone conversations, and having lunch with the right people. ... a pleasing personality and ability to get along with others are extremely important. He should be able to assume a certain degree of leadership in public affairs, yet refrain from assuming the limelight. He should be one to whom the substantial community leaders will resort for advice on public affairs. This means that he must be broad gauged, considerably more than a technician."<sup>4</sup>

Yours faithfully  
K.N.V. SASTRI,  
*Retired Professor of  
History and Politics,  
Mysore University.*

Bangalore,  
January 15, 1960.



<sup>4</sup> *Op. cit.*, pp. 50-51.

## RECENT DEVELOPMENTS IN PUBLIC ADMINISTRATION

### (I) INDIA

The most significant development in the recent months has been the publication of the report of the Second Central Pay Commission presided over by Shri Justice Jagannadha Das, Judge of Supreme Court, with Shri L.P. Singh, I.C.S. (Editor of *I.J.P.A.*), as its Member-Secretary. The report of the Commission which runs into 640 pages contains, in addition to recommendations concerning revision of pay scales, allowances and other conditions of service, a comprehensive survey of the existing position in the matter. It also touches upon certain basic considerations like the principles which should determine the remuneration and conditions of service of government servants, the sources from which administrative staff for the headquarters organisation should be drawn, the question whether the Secretary of a technical department should primarily be a technical officer or a generalist administrator, the revision of pay structures for purposes of increasing promotion opportunities, the system of efficiency rating, the government servants' political and economic rights, the promotion of Whitley-type machinery for joint consultations and improving efficiency in the public service. The Commission's report balances several conflicting considerations. While public holidays and leave concessions have been curtailed and hours of work increased, some substantial benefits in the form of retirement concessions and higher allowances have been recommended. The report of the Commission constitutes a most valuable document for students, teachers and practitioners of public

administration in India. (A digest of the report appears at pp.74-88.)

\* \* \*

The Government of India has, after a fuller review of the past working, reconstituted the Posts and Telegraphs Board and substantially enhanced its powers. The previous Board had been functioning in a much restricted form both in its constitution and powers. It was, as such, felt both on financial and administrative grounds that the analogy with the Railway Board would not be quite appropriate for the P. & T. Board. The P. & T., unlike the Railways, did not have a separate budget and the Railway Board pattern could not fully meet the requirements of the P. & T.

The reconstituted Board consists of the Director-General, Posts and Telegraphs, as Chairman and six other members : Member, Finance, (who is also Financial Adviser, Ministry of Finance, Communications); Member, Posts; Member, Administration; Member, Telecommunication Traffic, Maintenance and Operation; Member, Telecommunication Planning, Development and Workshops; and Member, Banking and Insurance. The Board has a Secretary of the status of a Deputy Secretary to the Government of India.

The Board and the Director-General, Posts and Telegraphs, between themselves exercise all the powers of the Ministry of Communications in administrative matters

with the approval, where necessary, of the Minister of Communications. The Ministry of Home Affairs has agreed to confer on the Director-General, Posts and Telegraphs, such powers as may be needed for the efficient functioning of the Board. The Workshop Board functions as a sub-Board under the P. & T. Board.

In policy matters, the approval of the Minister of Communications is obtained through the Secretary, Ministry of Communications. In financial matters, the Board exercises all the powers of the Ministry of Communications under the arrangement of internal finance. In the event of a difference of opinion between the Member, Finance, and the majority of the Members of Board and where the Member, Finance, requires that the matter be submitted to Government, a reference is to be made to the Minister of Communications through the Secretary, Ministry of Communications. In regard to matters covered by internal finance, the decision of the Minister of Communications would be final. But in regard to other matters, if the Financial Adviser so desires, a reference would be made to the Minister of Finance.

The Financial Adviser, Communications, has been relieved of the work relating to Ministries other than Transport and Communications to enable him to devote himself adequately to the new responsibilities that have devolved upon him. He would also be competent to deal with the P. & T. matters on behalf of the other appropriate wings of the Finance Ministry.

Further details as to the enhanced powers that will be exercised by the Board, the procedure which would be followed and other consequential matters are actively under consideration of Government.

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Mention was made in the last issue of the *Journal* for October-December 1959 in regard to the setting up of the National Academy of Administration at Mussoorie, with which the I.A.S. Training School, Delhi, and the I.A.S. Staff College, Simla, have been merged. The Government of India has now appointed the Director of the National Academy as Director of Training as well. He will study the training programmes of the various services of the Government of India and suggest ways to prevent overlapping.

The Academy would run four types of courses during a year :

- (1) A one-year Course for the I.A.S. officers to cover the syllabus prescribed under the All India Services Probationers' Final Examination Rules.
- (2) A two-month Course for the Special Recruits to the I.A.S. under the Emergency Recruitment Scheme.
- (3) A six-week Refresher Course for officers of a seniority of 10-15 years. To start with, it is proposed to run this Course for I.A.S. officers and in due course, to throw it open for senior officers of the other services also.
- (4) A combined Course of five months for all the All India Services and the Central Services, Class I, for training in foundational subjects.

The first Foundational Course concluded at the Academy on November 12, 1959. On the basis of experience gained during this Course, it was suggested to the Ministry of Home Affairs that the future Courses should (a) commence at the same time for all the Services; (b) last for five months; and (c) include officers of the I.P.S. also who could not join the first Course. All these suggestions

have since been accepted by the Ministry of Home Affairs.

The Academy has also started publication of a journal by converting the Annual Metcalfe House Journal (which was meant for restricted circulation only) into a quarterly. The purpose of the Journal is "to serve not merely as a clearing house of information but also serve as a forum for discussion for the members of various services."

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The Government of Bombay has issued orders on the revival of the system of direct recruitment to the cadre of Deputy Collectors and has prescribed rules therefor. Appointment to the posts of Deputy Collector shall be made either by nomination or by promotion of suitable Mamlatdars; the ratio of appointment by nomination and by promotion, as far as practicable is to be 50 : 50. Half of the vacancies reserved for appointment by promotion shall be filled by directly recruited Mamlatdars who have put in at least seven years' service in the posts including the period spent on probation. Appointment by nomination shall be made through a competitive examination, consisting of both written test and *viva voce*, to be held by the State Public Service Commission.

\* \* \*

Following the lead given by the Government of India in pursuance

of the recommendations of the Central Pay Commission and the example of Punjab in regard to the reduction in holidays and casual leave, the Andhra Pradesh Government has issued the following revised scheme of holidays to be observed in future : (1) all Sundays, (2) penultimate Saturdays in months in which other holidays including Sundays are 6 or less, (3) 16 public holidays inclusive of National Holidays, namely, Independence Day, Mahatma Gandhi's Birthday and Republic Day and some important festivals, and (4) 3 optional holidays for religious or festival occasions to be availed of by employees individually at their choice.

The number of holidays in Andhra Pradesh till 1959 had roughly been 52 Sundays, 10 penultimate Saturdays, 22 general festival holidays, 12 sectional festival holidays and 15 days' casual leave, making a total of 111 days or nearly a third of every year.

Instructions have also been issued to all Heads of Departments that applications for privilege leave should normally be allowed where leave is due.

The State Government has also reduced casual leave from 15 days to 12 days in a calendar year and decided that the maximum period of absence from duty on casual leave including Sundays and authorised holidays should be restricted to eight days at any one time.

## (II) ABROAD

The British Government has announced the appointment of a Royal Commission under the chairmanship of *Sir Henry Willink*, QC, Master of Magdalene College, Cambridge, to inquire into police matters in Great Britain. The terms of

reference of the Commission are : to review the constitutional position of the police throughout Great Britain, the arrangements for their control and administration and, in particular, to consider : (1) the constitution and functions of local police

authorities; (2) the status and accountability of members of police forces, including chief officers of police; (3) the relationship of the police with the public, and the means of ensuring that complaints by the public against the police are effectively dealt with; and (4) the broad principles which should govern the remuneration of the constable, having regard to the nature and extent of police duties and responsibilities and the need to attract and retain an adequate number of recruits with proper qualifications.

In the U.S.A., the New York City Council has passed a code of ethics for all officials and employees of the New York City which defines in detail the rules of conduct for city officials and employees; sets up a Board of Ethics to "rule" on code questions; and bars employees from appearing before their own agencies for two years after they leave city service. Under the code, paid employees and officials are not to do business with any city agency. About 2,25,000 officials and employees of the New York City will have to conform to rigid standards of conduct laid down by the code.

In Pakistan, the Law Reform Commission has submitted its report to the Government. The Commission has recommended that appointments to the posts of Chief Justice of Pakistan and the Judge of the Supreme Court should be made conditional upon the prospect of the appointees continuing in office for at least 3 and 5 years respectively. In future, there should be only two

classes of Civil Judges : Ist Class and IIInd Class, according to jurisdiction. All persons qualified to practise after obtaining the LL.B. (Professional) degree should, when enrolled, be designated as Advocates. Recruitment of Subordinate Judges should be made through a competitive examination to be held in each Wing of Pakistan by the Provincial Public Service Commission, open only to holders of a law degree (academic). Magistrates should also be recruited through a competitive examination similar to the one to be held for sub-judges. One-third of the posts of Judges of the High Court should go by convention to serving District and Sessions Judges who have put in at least 10 years as Judicial Officers. The recommendations of the Chief Justice of Pakistan with regard to appointments to the High Courts and the Supreme Court should be forwarded direct to the President who should, as a matter of convention, accept them. A uniform system of appointments to the Police Service in both Wings of Pakistan should be adopted.

In New Zealand, the Royal Commission on M.P.s' Salaries and Allowances has recommended a salary increase for the Prime Minister from £3,750 to £4,250; from £2,500 to £2,800 for other Ministers; from £1,950 to £2,200 for the Speaker; and from £1,000 to £1,400 for M.P.s. It has also recommended that Ministers' allowances should be cut from £550 to £450, and their travelling allowances increased from £3 3s. to £4 4s. a day.



## INSTITUTE NEWS

The General Body of the Institute, at a special meeting, held on January 17, 1960, adopted the amendments (as recommended by the Institute's Executive Council) to the Rules of the Institute, relating to the accounting year, associate membership and elections of the Chairman and members of the Standing Committee and the Executive Council. In accordance with the revised Rules, the Annual Meeting of the General Body will be held from 1960 onwards in the month of August instead of April and the biennial elections to half the total number of elected seats of the Executive Council will be held in the month of July instead of March.

*Mr. A.H. Hanson* of the University of Leeds, U.K., was with the Indian School of Public Administration from November 20 to December 21 as a Visiting Professor. *Prof. W.A. Robson*, Professor of Public Administration, Department of Economics and Politics, London School of Economics and Political Science, served as a Visiting Professor from January 9 to March 12. *Prof. Arthur W. Macmahon*, Eaton Professor Emeritus of Public Administration, Columbia University, U.S.A., joined the School as a Visiting Professor on February 8 for four months.

The First Annual Day of the Indian School of Public Administration was celebrated at the Institute's premises on November 20. *Dr. S. Radhakrishnan*, Vice-President of India, presided on the occasion and presented the certificates of Master's Diploma in Public Administration to the successful candidates.

The Institute organised a Conference on State Undertakings on December 19-20. It was attended by about

20 persons drawn from Government of India, Parliament, State Enterprises, etc.

The Institute made organisational arrangements for the Seminar on Management of Public Industrial Enterprises organised jointly by the United Nations Economic Commission for Asia and the Far East, the Office of Public Administration, and the Bureau of Technical Operations, in New Delhi from December 1-11.

Three Regional Branches were inaugurated each for Andhra Pradesh, Madras and Punjab by the Governors of these States during the period September-October 1959. A Local Branch of the Institute has been formed at Vallabh Vidyanagar (Bombay State).

Under the Foreign Fellowship Scheme of the Institute for the year 1959-60, six Government officers (2 from the Central Government and 4 from the State Governments) were selected and sent out for advanced study in the U.K., U.S.A. and the Continent in O & M, Personnel Administration and Economic Administration. One university teacher was also deputed abroad under the Scheme.

The recent publications brought out by the Institute are: (1) 'Delhi Municipal Bus Transport (A Study of Some Aspects', price Rs. 1.50; (2) 'District Administration in India' by S.S. Khera, price Rs. 2.00; (3) 'Aspects of Audit Control' by Asok Chanda, price Rs. 7.50; (published on Institute's behalf by Asia Publishing House, Bombay). The first two publications are available to members at a discount of 25%.

## DIGEST OF REPORTS

INDIA. COMMISSION OF ENQUIRY ON EMOLUMENTS AND CONDITIONS OF SERVICE OF CENTRAL GOVERNMENT EMPLOYEES, 1957-59. REPORT. Ministry of Finance, Government of India, 1959, xiii, 640p., Rs. 10.

The Second Central Pay Commission was appointed on the 21st August 1957, to examine the principles which should govern the structure of emoluments and conditions of service of Central Government employees; to consider and recommend what changes in the existing structure of emoluments and conditions of service of different classes of employees are desirable and feasible; and to recommend, in particular, the extent to which benefits to Central Government employees can be given in the shape of amenities and facilities.

The Commission had as its Chairman, Shri Justice Jagannadha Das, Judge of Supreme Court, and as its Member-Secretary, Shri L.P. Singh, I.C.S. (also Editor, I.J.P.A.).

The Commission submitted its interim report on the 14th December, 1957, in which it recommended an increase of Rs. 5 per month, effective from July 1, 1957, in the dearness allowance of all Central Government employees drawing a monthly basic pay not exceeding Rs. 250\*.

The final report was submitted by the Commission on the 24th August, 1959. The main findings and important recommendations of the Commission, which may be of administrative interest, are given below. The action taken by the Government of India, if any, has been indicated in the foot-notes, at appropriate places.

### (I) GENERAL PRINCIPLES AND CONSIDERATIONS

#### (a) *Principles of Pay and Conditions of Service*

(1) The remuneration and conditions of service of Government servants are not capable of being determined by a single principle, but by a number of principles which should supplement one another, and there is no fixed order in which they are to be applied. (2) The social position which a Government servant is traditionally expected to maintain should not in itself be a factor in the determination of his remuneration. (3) If the Government were to function as a model employer in the sense that they paid higher wages and salaries than other good employers for comparable work and were ahead of other such employers also in the provision of generous conditions of service and fringe benefits, they would ordinarily expose themselves to a well-founded criticism of extravagance : the community would be required to pay a price which the efficiency of the public service did not demand, and which should not, in fairness, be asked of the community. While the 'model employer' principle, as commonly understood, is therefore not suitable for determination of remuneration, the social principles and standards which Government have laid down for or commended to employers generally should be taken

\* This recommendation was accepted by the Government of India.

into account. In the matter of conditions of work and employment practices generally the Government may become the pace-setter. (4) In the present circumstances, the principle of fair comparison with rates of remuneration in outside employment is not suitable for full and detailed application; but is one of the important factors to be taken into account....The nature of duties and responsibilities in certain branches of the public service, particularly at the higher ~~levels~~, and the organisation of the public services and Government Departments—often with deep hierarchies—have usually no exact parallels outside. This would make comparison a difficult, and a somewhat complicated process; and in the case of the higher positions in the public service there is the further difficulty of assessing the allowances that should be made for the non-economic rewards of the public service. Then, there is the difficulty of getting data about salaries etc., in the private sector as also of the existence of an exceptionally wide range of variations in salaries and conditions of service and the absence of any common standards for determining them. (5) Except in the broad sense of being an indicator of the level and the state of the economy, trend of national productivity cannot be accepted as a factor in itself relevant to determination of salaries and wages of Government servants. (6) The level of consumer prices is among the factors relevant to determination of rates of remuneration of Government servants. (7) The structure of emoluments and conditions of service should be so designed as to ensure recruitment at different levels of persons with requisite qualifications and abilities and to keep them efficient. (8) The minimum wage or salary should not be determined only on economic considerations but should satisfy also social tests. Even above the

minimum level Government should remunerate their employees fairly. (9) Once the demands of efficiency of the public service are satisfied, social considerations require limitation of disparities between the highest and the lowest salaries to the minimum. (10) With the minimum and maximum salaries having been determined on a combination of social and economic considerations, sound and equitable internal relativities constitute the most important single principle to be followed in the determination of the intermediate salaries.

*(b) Economic Conditions and Requirements of Development Planning*

(1) Reviewing the economic conditions in the country, the resources available to Government and the needs of developmental planning, the Commission observes that until the economy develops, no substantial improvement in the standard of living of the people generally or of the great majority of Government servants is possible. Economic development under the conditions obtaining in India requires restraint in current consumption for the sake of the future. (2) Developmental planning does not, however, postulate a general reduction in the standard of living. A sacrifice of the current standards can be imposed on those who are well off; and even from others, restraint in the enjoyment of the additional fruits of development can reasonably be asked for, but a great deal depends on the situation at a particular time. (3) For the lowest grades of Government servants, developmental planning should not involve a depression of their existing standard.

*(c) Disparities Between the Emoluments of Central Government Employees and Those of the State Governments, Local Bodies, etc.*

(1) The disparities should be

regarded as a factor calling for restraint but not one that would justify the denial to the Central Government employees of the minimum improvement in remuneration which otherwise appears to be fair and desirable.

(2) A scheme of recruitment to the non-gazetted posts under the Central Government by transfer of selected personnel from the appropriate services of the State Governments may be considered.

*(d) Minimum Remuneration*

Having regard to the price level at which minimum remuneration was fixed on the recommendation of the first Central Pay Commission, 1946-47\*, presided over by Shri Srinivasa Varadachariar, the average level of consumer price index for the year 1958, the requirements of food, (capable of providing 2,600 calories and other nutrients of the requisite order), clothing, housing, etc., for a family of three consumption units, within the available resources of the country with the consumer price index at 116, an increase in the remuneration from Rs. 75 to Rs. 80 p.m. would restore the real income of employees on the lowest pay to the level at which it was fixed on the Varadachariar Commission's recommendations.\*\*

*(e) Highest Salaries*

(1) Though the salaries in the private sector have risen enormously, it would be completely wrong to think of emoluments of public servants in terms of those of the highest incomes in the professions, or the higher incomes in business and industry... The higher salaries in the private sector are determined by

wider economic factors, and the state of a particular business or industry; and, in some cases, it seems, even circumstances outside the country influence those salaries... There are risks in professions, business and industrial careers from which careers in the public service are free; and those who choose security may not reasonably aspire to the glittering prizes open to persons who take risks... Public service, particularly at the highest levels, has its own rewards. There is the honour and the prestige—somewhat attenuated in recent years but still considerable; and there are opportunities for full and continuous use of talent, and for the exercise of influence in the shaping of public policies and programme. Further, a reduction of salaries of the highest civil servants can be undertaken without a risk of lowering the standard of recruits only if the reduction is a part of a national scheme to reduce the present gap between the highest and the lowest incomes. (2) Keeping in view the high salaries allowed in organised private sector to the comparable class of employees, the substantial reduction already made as the result of the Varadachariar Commission's recommendations, the erosion of the real income which has since taken place, and the necessity of a high standard of recruitment to the superior services, any reduction of salaries at present prescribed for the highest grades is not recommended.

*(f) Dearness Allowance*

(1) On the basis of the working class consumer price index (base 1949 = 100) and the assumption that the index is not likely to fall below 100, the Commission recommends that the basic salaries of lower paid employees should be fixed in terms

\*Report of the Central Pay Commission, Delhi, Manager of Publications, 1950, Rs. 3.

\*\*Accepted by the Government of India.

of the requirements at an index level of 100, and no downward adjustment in the basic salaries should be made even if the index falls to 90. (2) As the upward tendency in prices is likely to persist, dearness allowance should continue as a separate element in the remuneration of Central Government employees, but it should be limited for the present to those whose salary is not above Rs. 300 per mensem. The entire remuneration of the higher paid employees should be in the form of salary with no separate dearness allowance.\* (3) In accordance with these considerations, the existing rates of dearness allowance (excluding interim relief of Rs. 5) up to a salary limit of Rs. 300 and the entire amount of the allowance above this limit should be merged with the basic pay in respect of all salaries up to Rs. 1,000. (4) Related to the consumer price index of 115, dearness allowance has been recommended at the rate of Rs. 10 for salaries up to Rs. 150 and at Rs. 20 for salaries between Rs. 150 and 300, with marginal adjustments up to Rs. 320. These rates should continue unless the index falls below 100. If during a period of 12 months the index remains on an average ten points above or below 115, Government should review the position and consider the question of adjusting the allowance suitably. The benefit of dearness allowance should, in future upward adjustments, be extended to all employees drawing a basic pay below Rs. 400 p.m. provided the total including dearness allowance does not exceed Rs. 400. If the index continues to rise further the case of employees in the pay range of Rs. 400 to Rs. 1,000 may also be considered. (5) A degree of flexibility is essential for the efficient management of a developing economy with its numerous social and other complexities and

variables and its rapidly changing situations and it seems that a rigid over-simple arrangement for automatic adjustment of dearness allowance to rise in prices would go ill with these desiderata.

## (II) PAY AND ALLOWANCES

### (a) *The General Scheme of Pay Scales*

(1) The first Pay Commission had observed that a long time-scale of 20 years was suitable for an entry grade, a short one for a promotion grade, and a short, 11-year scale (Rs. 30-4-35) for manual labour. The approach of the second Pay Commission is not dissimilar; it has, however, taken a somewhat different view of the length of the scale for the lowest grade of employees. Considering that any substantial enlargement of the promotion outlets is not possible for them, it has recommended the replacement of the present short scale with a longer (16-year), and otherwise improved scale (Rs. 70-1-85).

(2) While 58% of those selected for the Indian Administrative Service during the year 1954-55 had first class degrees, only 39% of those recruited to the Class I Central Services had such degrees. So long as the criteria for selection to the Indian Administrative Service and the Indian Foreign Service are higher, and those Services are getting, as a rule, recruits of a higher standard, higher pay scales for them are justified.

(3) The real purpose of Central Class I Services should be to provide officers for senior posts; and this in fact is how these Services are being sought to be managed. The Central Class I Services at present have two basic scales; *junior*:

\*Accepted by the Government of India.

Rs. 350-350-30-380-380-30-390-EB-30-770-40-850; and senior: Rs. 600-40-1000-1000-1050-1050-50-1100-1100-50-1150. It appears reasonable that, subject to fitness, officers of these Services should have well-founded expectations of moving up to the senior scale in about the sixth year of service; and it seems that, with the complements of the various grades in these Services as they are, the existing pay arrangement is not likely to ensure this. Keeping this in view, the existing senior and junior scales in the Central Class I Services—Indian Audit and Accounts Service; Indian Defence Accounts Service; Indian Railway Accounts Service; Indian Revenue Service—Income Tax, Customs, Central Excise; Indian Postal Service; Military Lands and Cantonments Service—should be replaced by a single scale of Rs. 400-400-450-30-510-EB-700-40-1100-50-1250. The latter scale provides for a large increment in the sixth year. A starting salary of Rs. 400 is appropriate for fresh graduates joining the Class I Services, but the first increment should accrue only after two years' service on the completion of the probationary period.

(4) The Commission, however, does not favour a running, long integrated pay scale at the base in the case of the scientific and engineering, economic, statistical and central information services, railways and posts and telegraphs. In their case, the junior basic scales recommended are (a) Rs. 400-40-800-50-950 for scientific personnel and (b) Rs. 400-400-450-30-600-35-670-EB-35-950 for engineering personnel, economists and statisticians, central information service, P. & T. Department, and Transport (Traffic) and Commercial Service (Superior Revenue Establishment) of Railways, assistant station directors of the All India Radio, etc. For the basic senior grade the scale

recommended is Rs. 700-50-1250 for scientific services and Rs. 700-40-1100-50/2-1250 for other services mentioned above and for station directors of the All India Radio.

(5) (i) In the case of scientific services, the Commission holds that it is certainly necessary for the scientific advancement and general progress of the country that a young person with high scientific talent and preference for scientific work is not deterred from a scientific career because of its inadequate financial rewards, or of conditions of service. (ii) The remuneration at the intermediate level of scientific services should be independently determined and at the stage of entry to the junior grade of the Class I scientific services should compare favourably with the starting point of the I.A.S. scale, and there should be fair measure of parity between scientific and administrative salaries at the higher levels at which scientific and administrative officers have to work closely together. Furthermore, certain special provisions more favourable than those applicable to administrative officers are necessary in the case of scientific officers in regard to superannuation benefits. (iii) All new recruits to the junior grade should be given one advance increment for every year of approved research (in the case of technologists, specialised post-graduate training or experience may be treated as equivalent to research) before entering service, subject to a maximum of two such increments. (iv) At the highest level, a single rate of pay will not be suitable. The scientific organisations, including the research institutions are not all of the same size, or are entrusted with work or responsibilities of the same magnitude or complexity. The following rates of pay are recommended : (a) heads of major scientific organisations or research institutionse Rs. 2,250; (b) heads of medium siz:

organisations or institutions and additional heads—Rs. 2,000; (c) heads of small organisations Rs. 1800-100-2000; and Rs. 1600-100-1800. If in any scientific organisation the work so develops as to require the services of an outstanding scientist to take charge of it, the post should be upgraded and carry a pay of Rs. 2,500, Rs. 2,750 or Rs. 3,000, depending on an assessment of the increased responsibilities.

(v) In view of the pay structure and the nature of work in the scientific services, the grade structure in research and development organisations should be such as to provide for a much larger proportion of posts in the senior and the higher grades together than in the junior grade. (vi) A scientific civil service on the lines of the All India and some of the Class I Central Services is not feasible. But to ensure uniformity in the management of the different scientific services, and to facilitate occasional interchange from one such service to another, when this is in the interest of scientific work, a standing committee of representatives of various scientific departments and organisations may be set up.

(6) (i) The structure of the engineering and administrative services differ, and so does the nature of work and responsibilities at different levels of the two structures. A good proportion of the best engineering talent should continue to flow into the Central Government service, and the highest rewards of an engineering career under the Government should be comparable with those in the administrative services. (ii) The highest posts in the engineering branch are mostly in three scales : Rs. 2000-125-2250; Rs. 1800-100-2000-125-2250 and Rs. 1800-100-2000. The idea of having more than one rate of pay for these posts is sound. All the engineering organisations are not of the same size and the work

entrusted to each may not be of the same magnitude and importance. The four rates of pay for these posts may be : (a) heads of major organisations—Rs. 2250 or Rs. 2000-125-2250; (b) additional heads of major organisations—Rs. 2000 and (c) heads of small organisations—Rs. 1800-100-2000.

(7) The present super-time scales and those recommended by the Commission are :

<i>Present</i>	<i>Recommended</i>
2000-125-2250	3000
1800-100-2000-	
125-2250	2750
1800-100-2000	
plus special pay	
Rs. 250	2500
1800-100-2000	2250
1600-100-1800	2000-125-2250
1300-60-1600	1800-100-2000-
	125-2250
1000-50-1400	2000
	1800-100-2000
	1600-100-1800
	1300-60-1600-
	100-1800
	1100-50-1300-60-
	1600-100-1800
	1300-60-1600
	1100-50-1400

(8) Following the general scheme of remuneration of the superior services, the pay scales for Indian Foreign Service should be revised as follows : (i) The present senior scale of 800-50-1000-60-1300-50-1800 to be replaced by Rs. 900-50-1300-60-1600-100/2-1800; and (ii) the junior scale of Rs. 350-50-450-450-500-540-30-870-40-950 by Rs. 400-400-500-40-700-EB-30-1000.

(9) The standard Class II scale of Rs. 275-800 is suitable for both direct recruitment and promotion and does not require any modification. Following the general scheme of remuneration proposed, the scale of Rs. 350-25-500-30-590-EB-30-800-EB-830-

35-900 should replace the existing scale. The new Class II standard scale is also to apply to engineering and scientific personnel, Section Officers in the Central Secretariat, Income Tax Officers, Grade II, Superintendents of Central Excise, Preventive Inspectors (Customs) and Assistant Accounts Officers, Railways.

(10) For professional or technical assistants in scientific, statistical and economic posts, the scale of Rs. 325-15-475-EB-20-575 has been recommended. The next lower grade should be in the scale of Rs. 210-10-290-15-320-EB-15-425; and the lowest grade for which a degree is the prescribed qualification, should be in the scale of Rs. 150-5-160-8-240-EB-8-280-10-300.

(11) As it is ordinarily through efficiency bars that a practical discrimination between satisfactory and unsatisfactory workers can be usually made, the scheme of pay scales recommended by the Commission provides for an efficiency bar somewhere about the 10th year in scales which are to run for more than 15 years or so, and a second efficiency bar at a later stage in scales which are to run for 20 years or longer.

(12) Selection grades (usually 10%), without functional differentiation, are necessary in certain cases in order to provide incentives to employees who have no outlets, or very limited outlets, for promotion to higher posts.

(13) In cases where the promotion outlets are limited the other measures suggested by the Commission are : (a) improvement of the scale, e.g., from superintending engineers in the C.P.W.D. and M.E.S.; (b) creation of *ad hoc* supernumerary posts, e.g., for an eminent medical specialist continued in his speciality

and not appointed to an administrative post carrying a higher scale of pay; (c) grant of permission to compete with outside candidates, e.g., permitting Lower Division Clerks and Stenographers and Stenotypists in non-Secretariat offices to compete for appointment to the grades of Lower Division Clerks and Stenographers in the Secretariat; allowing Professional Assistants in the Indian Meteorological Department and Senior Scientific Assistants in a National Laboratory, and Technical Assistants in the Department of Food, a reasonable age concession to enable them to compete with outside candidates for selection to higher posts on merits.

(14) There should be a periodical review of special pays to ensure that special pay is not granted except when the necessary conditions are satisfied and that special pays are not so large or granted so freely that they distort the pay structure.

(15) Where the work of a Department at the Headquarters of the Government of India is mainly technical, it is desirable that the Secretary should be a person who, while possessing administrative ability and capable of taking a broad Government-wide view of matters, has a technical background in the particular field. In a Department which has a considerable amount of technical as well as administrative work, the Secretary may be either a technical officer, with proved administrative capacity, or a generalist administrator; technical officers should not be excluded from the field of choice, on *a priori* considerations but should be considered on merits. The functions of Head of Department and Secretary should not normally be combined—whether the Secretary is a general administrator or a technical or a professional officer.

(16) The Government of India should draw personnel for their headquarters organisation from as wide a field as possible. It is in the interest of the efficiency of the central organisation that fuller use should be made in it of the abilities, and the diversity of the experience of the officers of the Class I (non-technical) Services. It appears that under the present arrangement officers of these Services do not have, as among themselves, equal opportunities for service in the Central Secretariat. Part of the explanation presumably is that, with one exception, these Services do not carry an adequate deputation reserve, provision of which is a necessary condition of a systematic arrangement for deputation of officers from these Services to Central Secretariat.

(17) It will be fair to continue the present provision allowing to Central Secretariat Service Officers a minimum increase of Rs. 150 on promotion to the rank of Deputy Secretary.

(18) For Under Secretaries in the Central Secretariat pay scale Rs. 900-50-1,200 will be suitable in place of the present scale of Rs. 800-50-1,150.

(19) The two grades of Section Officers in the Secretariat—(i) Rs. 275/325-25-500; (ii) 530-30-800—should be amalgamated into a single grade carrying the new standard Class II scale. The separate existence of the two grades is serving no useful purpose except providing—at least theoretically—an opportunity for selection at the stage of promotion from Grade III to Grade II; and this purpose can be served by introducing an efficiency bar at a suitable stage in the proposed combined grade.

(20) (i) In the circumstances,

the present system of two clerical grades—the Upper and Lower Divisions—appears to provide a sound arrangement in the offices outside the Central Secretariat. (ii) So far the educational qualifications for direct recruitment to the two grades have been different. According to a decision taken by the Government in 1958 on the recommendations of the Public Services (Qualifications for Recruitment) Committee, 1956, recruitment to both these grades will in future be made from among candidates who have passed the Higher Secondary examination and are within the age of 18-20 years. (iii) As in future the educational and age qualifications for recruitment to the two clerical grades are to be the same, direct recruitment to the upper grade should be given up, and posts of Upper Division Clerk in the Secretariat should be filled wholly by promotion on the basis of a written examination conducted by the Public Service Commission. No substantial change in the rate of the remuneration is called for and their scale of pay may be Rs. 130-5-160-8-200-EB-8-256-EB-8-280 in place of the existing one of Rs. 80-5-120-8-200-10/2-220. Stoppage of direct recruitment to the grade of Upper Division Clerk should greatly improve the prospects of Lower Division Clerks. (iv) The Upper Division Clerks in offices outside the Secretariat should have higher scale, not only because there is no higher grade in these offices corresponding to that of the Assistants and the entire case work has to be handled by the Upper Division Clerks and also because the latter's prospects compare unfavourably with those of Upper Division Clerks in the Secretariat. They should therefore be in the scale of Rs. 130-5-160-8-200-EB-8-280-10-300. (v) The duties of Clerks in the posts and telegraphs offices are different from those of Lower Division Clerks

in the administrative offices, and on the whole, on somewhat greater responsibility. This, together with the more restricted promotion outlets, justifies a higher remuneration than is allowed to Lower Division Clerks in administrative offices. They should be on the scale of Rs. 110-4-150-EB-4-170-5-180-EB-5-225 in place of the existing scale of Rs. 60-4-120-EB-5-170. The scale recommended by the Commission for L. D. Cs. in the Central Secretariat is Rs. 110-3-131-4-155-EB-4-175-5-180.

(21) (i) Classification of offices into Attached and Subordinate offices should be made on a functional basis. Adopting broadly the following criteria : (a) offices which are closely and directly associated with the Ministries or Departments of the Government of India in the shaping of policies by furnishing essential technical data and advice, and providing executive directions to the Departments etc., which are responsible for implementing the policies or decisions of the Government, should be regarded as Attached offices; and (b) Departments or offices which are responsible mainly for the execution of policies and programmes of the Government should be regarded as Subordinate offices. (ii) Definite criteria should be laid down for determining as to what offices should be included in the Central Secretariat Service Scheme.

(22) The Secretariat and Attached offices may be combined into a single headquarters organisation with a common 'office', on the lines of the present arrangement between the Ministry of Communications and the Director-General of Posts and Telegraphs.

(23) The pay scales for the Railway Board Secretariat, Clerical and Stenographers Services should be the same as for the corresponding grades in the various Secretariat Services.

*(b) House Rent and Compensatory Allowances*

(1) The present classification of localities for the grant of house rent and city compensatory allowances on the basis of population should continue, but there is no justification for the existing arrangement under which gazetted officers in 'A' class cities (Bombay and Calcutta) are granted these allowances at rates higher than those for non-gazetted officers.

(2) The condition of residence within the limits of the qualifying city for the purpose of house rent allowance should be abrogated for both gazetted and non-gazetted employees, and those whose place of duty, though outside, is in the proximity of a qualified city, and who, of necessity, reside within the city, may be given house rent allowance admissible in that city.

*(c) Travelling Allowance*

(1) The basis for sanctioning the rates of fixed conveyance allowance should be revised. (2) The daily allowance rates, and the rates of allowance for incidental expenses in connection with tours, should be reviewed. (3) The present rates of allowance for incidentals for journeys on transfer should be halved, but in lieu of the other half an employee should be allowed half a month's pay subject to a limit of Rs. 150.

*(d) Overtime Allowance*

(1) Overtime allowance should be granted only to non-gazetted staffs drawing pay not exceeding Rs. 500 per mensem under specified conditions, and with the proviso in the case of office staff only for duty in excess of 45 minutes beyond the prescribed hours on any working day. The rate of overtime allowance should be determined on certain specified general principles.

**(e) Fixation of Pay**

(1) The initial pay of an employee who is brought over to the revised scale of pay should be fixed on a "point-to-point" basis, subject to the conditions: (a) that refixation should not result in a reduction of emoluments; and (b) the additional emoluments should not exceed certain specified ceiling limit.<sup>1</sup>

(2) The revised scales of pay and dearness allowance should be given effect to from 1st July, 1959.<sup>2</sup>

**(III) CONDITIONS OF SERVICE, AMENITIES AND FACILITIES AND ALLIED MATTERS**

**(a) Hours of Work and Weekly Off**

(i) The net weekly hours for office staffs are usually 36, worked in 5½ days. Working hours of office staffs are on the low side and an increase would be justified, but an attempt should first be made to obtain better output within the present hours. (ii) The present 5½ days week should be replaced by alternate weeks of 5 and 6 days.<sup>3</sup>

**(b) Public Holidays**

With hardly any exception office staffs in the Central Government have 23 public holidays in a year. Most State Governments allow 31 to 33 holidays. The number of public holidays should be reduced to 16 where they exceed that number.<sup>4</sup>

**(c) Leave Entitlements**

(1) Casual leave for office staffs should be reduced from 15 to 12 days<sup>5</sup> in a year.

(2) (i) At present earned leave

on full pay is admissible to non-industrial staff at the rate of 1/11th of the duty days. In future it should be allowed at the following rates—during the first 5 years of service : 1.75 days for each month of service; during the next 10 years of service : 2.25 days for each month of service; and after 15 years of service: 2.5 days for each month of service. (ii) Heads of Departments, offices, etc. must plan their work in such a way as to permit employees to take a certain amount of leave annually, and a longer leave after some years, or according to any special necessity. (iii) While the normal limits of accumulation of earned leave should be reduced from 180 to 120 days, additional accumulation of up to 60 days should be permitted at the discretion of the sanctioning authority when leave applied for is refused in the public interest. (3) Study leave should be liberally granted particularly to scientific, technical and administrative staff, and in suitable cases the staff should even be encouraged or advised to have such leave. It may be granted even for studies which may not be closely and directly linked with a civil servant's work but which will improve his capability etc. as a civil servant.

**(d) Age of Superannuation**

(1) Judged by vital statistics in India, or by the age of retirement for civil servants in other countries, or by the commonly prescribed pensionable ages under social security schemes, there is a clear case for raising the age of superannuation substantially above the present 55

<sup>1</sup>Accepted by the Government of India.

<sup>2</sup>The Government has decided that the date of effect for pay, dearness allowance, house rent and compensatory allowances should be 1st November, 1959, but in respect of actual service rendered during the period 1st July, 1959 to 31st October, 1959, Government will make an *ex-gratia* contribution of a suitable amount.

<sup>3</sup>The Government has decided that one Saturday in the month should be a full holiday, and on all the other Saturdays the normal hours of work should be observed.

<sup>4</sup>Accepted by the Government of India.

<sup>5</sup>Accepted by the Government of India.

years. (2) The age of superannuation should be 58 years for all classes of public servants, including those for whom the retirement age at present is 60. But persons already in service may continue up to the age of 60, if they are at present entitled to do so.<sup>1</sup> (3) Scientific and technical personnel may ordinarily be retained in service up to the age of 60 by grant of extension or re-employment for two years.<sup>2</sup>

#### (e) Retirement Benefits

(1) (i) In future, temporary service when followed by permanency, whether in the same or any other post, should count in full for pension. (ii) When the total period of qualifying service exceeds completed years by more than six months, an additional benefit of half a year's pension may be allowed for the purpose of determining the quantum of pension. (iii) Leave taken out of India should count for pension to the same extent as leave taken in India.<sup>3</sup> (2) A widow's and children's pension benefit scheme, on a contributory basis, should replace the existing family pension scheme. Under the proposed scheme, for comparatively small contribution from his pay or surrender of a portion of gratuity, the widow of a deceased employee should get for life or till remarriage one-third of the pension he was getting at the time of his death or would have got on the day following the

day of his death, and the children should get pension varying from 1/12th to 1/3rd of the pension, according to the number of children, until they are 18 years of age or during their full-time education. (3) Government may consider the question of granting some relief to persons whose pension does not exceed Rs. 200 per mensem, when there is increase in the cost of living. (4) (i) The rate of death-cum-retirement gratuity should be changed so as to make the maximum amount available on completion of thirty years' qualifying service.<sup>4</sup> (ii) Death and retirement gratuities at different rates have been recommended for temporary employees under various conditions. (5) To facilitate freer interchange of scientists and technologists between the Government and the universities, the pensionary contribution which the latter have to pay when they borrow the service of a Government servant should be restricted to the rate at which the university contributes towards the provident fund of its other employees.<sup>5</sup> (6) Categories of staff who are at present required to subscribe to a provident fund at the rate of 8½% of their pay or will be required to subscribe at that rate even after being brought on to the pension scheme should continue to subscribe at that rate, and all other employees should subscribe at least 6½% of pay to a general provident fund.<sup>6</sup>

<sup>1</sup>Government has decided that there should be no change in the existing position regarding the age of retirement and the present rules of superannuation should remain unchanged.

<sup>2</sup>Accepted by the Government of India.

<sup>3</sup>Accepted by the Government subject to the modifications that the additional benefit will be allowed even when the total period of qualifying service exceeds completed years by exactly six months and that the benefit will also be allowed in respect of gratuity.

<sup>4</sup>Accepted by the Government of India.

<sup>5</sup>Accepted by the Government of India.

<sup>6</sup>The Government of India has decided that a scheme of compulsory subscription to the general provident fund should be introduced—the rate being 6 nP. per rupee for employees other than those who are already required to contribute at the higher rate of 8½ nP. per rupee or may be required to do so under the Pay Commission's recommendations.

*(f) Medical Facilities*

Medical facilities for all Central Government employees should be placed on a contributory basis and the pattern of medical care and treatment should, wherever there is a concentration of employees, be broadly similar to that available under the Contributory Health Service Scheme in Delhi.

*(g) Educational Assistance*

A scheme of educational assistance, similar to the one in operation in the Railways, with concessional lodging and boarding charges at a graduated rate, may be introduced for other Central Government employees whose salary does not exceed Rs. 300 per mensem, to enable them to send their children to boarding schools of their choice when suitable schooling facilities do not exist at the station where they are posted.

*(h) Working Conditions; Canteen Facilities; Staff Welfare*

(1) There is need for immediate improvement in matters such as cleanliness, lighting, heating, cooling, furniture equipments and for formulating planned programmes of construction of office buildings and suitable accommodation for canteens. (2) Staff benevolent funds should be set up by the Departments on contributory basis. (3) The present expenditure on welfare activities should be substantially increased and the grant in different departments should be more or less on the same scale. There should be a central agency, or a committee drawn from different Ministries, to keep a

general oversight on welfare activities and to maintain uniformity as far as possible. (4) Welfare measures should be administered with as full a participation of the staff as possible.

*(i) Temporary Employees*

At present the number of temporary employees is disproportionately large, for which there appears to be no justification. The permanent requirements of all categories of staff should be speedily determined and thereafter the margin of temporary posts should be the same for all classes.\*

*(j) Promotion and Character Rolls*

(1) Revision of grade structures and complements may not be made merely for the purpose of increasing promotion opportunities. The number of posts in any service or grade is determined normally by the nature of work and the kind of responsibilities that have to be distributed among different levels and not with reference to the requirements of the career prospects of public servants. Any departure from this sound principle would be unfair to the community, as it would violate the principle of economy in public administration, involve wastage of manpower and might also make for inefficiency. (2) Merit should continue to be the criterion in making promotions at higher levels; at lower levels the principle of seniority-cum-fitness is appropriate. (3) For promotions to grades in which specialised knowledge is necessary, qualifying examinations designed to test working (not academic) abilities may be useful; but with this exception,

\*The Government has decided that in all permanent departments, other than those in workshops and industrial units, temporary posts in all grades and classes which have been in existence for not less than 3 years as on March 1, 1959, should be converted into permanent posts up to a limit of 80% if Ministries concerned are satisfied that such posts are required permanently.

examination need not be adopted as a general method of selection for promotion. (4) There should be a system of promotion by a special limited competitive examination to provide young officers in Class II and Class III services an additional opportunity to enter any of the Class I or Class II services to which there is direct recruitment by a competitive examination. The examination may be open not only to Central Government employees, but also to those working under the State Governments, public corporations, and other undertakings in the public sector. The examination papers should not be of the academic type but such as would test intelligence, power of observation, analysis and judgment, and knowledge and understanding of public affairs, etc.—in short, the kind of abilities that are required in the higher services. (5) The form in which confidential reports are drawn up should be related to the nature of the work of the particular class of employees, but should otherwise be as uniform as possible and so designed as to provide for assessment under a number of specified headings, including potentialities of the employees for assuming higher responsibilities, as well as a general summing up. (6) A general grading of employees by the first reporting officer should not be obligatory; such grading should be done at a higher level, preferably at the level in which a whole cadre is dealt with for the purposes of promotion, etc. (7) Confidential reports should be scrutinised at each higher level as soon as they are received to make sure that they had been prepared in accordance with the relevant instructions, and should be returned for rectification where necessary. (8) Unless it is proposed not to enter it in an employee's character roll, an irremediable as well as remediable defect should invariably be communicated to him. (9) The

present arrangement of the immediate superior writing a confidential report may continue, but the next higher officer should be required to exercise a positive and independent judgment on the remarks of the reporting officer, and should clearly express his agreement or disagreement with the remarks particularly if they are adverse.

(k) *Government Servants' Conduct Rules*

Instead of placing a general ban on public expression of views and then providing for some exceptions (as at present), a general freedom of intellectual expression should be recognised and only such specific restrictions should be imposed as are necessary to meet the requirements of the public service.

(l) *Political Rights*

(1) A civil servant's political rights should not be such that in exercising them he may suffer either in his integrity, or in his legitimate service interests, or which may lead to a weakening of the merit system in public appointments. (2) Removal or relaxation of the existing restrictions on the exercise of political rights by employees would not be in the public interest, nor in their own interest.

(m) *Right of Association*

(1) The membership of an unrecognised association should not as such be a disciplinary offence. But if such an association takes recourse to or assists in activities which if resorted to by individual Government servants would constitute a breach of a provision of the Conduct Rules, the Government servants concerned may be required to withdraw their membership on pain of disciplinary action. (2) The rules of

recognition of associations should be conceived and recognition granted in a liberal spirit. (3) Public servants should not resort to strikes or threaten to do so; without amendment of the law, a change should be brought about by the (industrial) employees themselves abjuring the use of the strike weapon and demonstrations, and the Government accepting a convention that they would refer to arbitration any dispute concerning certain important matters which are not settled by negotiation. (4) Reasonable facilities should be provided for trade union activities.

(n) *Machinery for Negotiation and Settlement of Disputes*

(1) At present each central Ministry has two Staff Councils—a Senior Staff Council for Class II and III employees, and a Junior Staff Council for those in Class IV. Apart from the similarity in nomenclature, the Staff Councils have little in common with the Whitley-type machinery in the U.K. Their objects have been laid down in very wide terms, but their powers and procedures greatly limit their effective scope. The Councils cannot be described as a machinery for negotiation nor perhaps can they be considered even as providing a machinery for consultation. They are, in actual practice, merely a forum for the staff representatives to ventilate their grievances and put forward their viewpoint to the nominees of the Government. (2) It is doubtful whether the Whitley-type machinery can be developed from the existing Staff Councils; it can develop much more easily out of the existing arrangements under the Ministries of Railways and Defence and the Posts and Telegraphs Department of the Ministry of Transport and Communications. (3) A Whitley-type machinery, with a central joint council representing the whole body of Central Govern-

ment employees, both industrial and non-industrial, should be set up for negotiation and settlement of disputes. A committee of the central joint council may deal with matters peculiar to industrial staffs. There should be departmental joint councils also. (4) As a necessary complement to a joint machinery for negotiation, there should be provision for compulsory arbitration, open only to recognised associations and limited to pay and allowances, weekly hours of work, and leave, of employees not above the present Class II level. (5) The Ministry of Labour should be closely associated with important matters concerning staff relations, in particular, with the proposed central joint council; and it should appoint the chairman of the board of arbitrators, if arbitration becomes necessary.

(o) *Disciplinary Proceedings*

(1) All memorials etc., as well as appeals, which come to the Central Government against imposition of major penalties, should be disposed of only in consultation with the Public Service Commission. (2) The power to withhold appeals, memorials or petitions under prescribed circumstances should be exercised by an authority higher than the one which had passed the orders against which the appeal etc., is made. (3) A disciplinary enquiry should not be conducted by the immediate superior of the Government servant being proceeded against, or by an officer at whose instance the enquiry was initiated.

(p) *Classification of Services*

The present classification of services and posts into four Classes—I, II, III and IV—should be abolished, as it is likely to hamper the growth among civil servants of a feeling that they all belong to a common public service.

**(IV) OTHER MATTERS***(i) Efficiency in the Public Service*

(1) In offices there are simple, repetitive operations which can be measured, for instance, the work of a typist, despatcher or diarist. The Government may have the feasibility of introducing incentive schemes for staffs examined. It may also consider whether work measurement techniques which make for efficiency, by setting up performance standards and otherwise, should not be used far more extensively than is the case at present, even though the result of the measurement will not affect remuneration. (2) Meritorious work should be recognised not by cash grants but by communication of appreciation in a suitable form, and by appointment to positions of greater responsibility. However, a scheme of cash awards may be introduced for suggestions contributing to efficiency, economy and other improvement in Government work.

*(ii) Statistical Requirements*

A systematic collection of data relating to wages, salaries and conditions of service in outside employment, and a continuous review of the data with reference to the rate of remuneration and service conditions etc., of Central Government employees, is recommended. (2) Government should set up at an early date a small unit to make a continuous review of the data, and keep the various Ministries and Departments informed of trends on terms and conditions of service of Central Government employees.

*(iii) Cost of Recommendations*

The additional annual cost of the revised pay scales and allowances (including interim relief) recommended by the Commission and of the improvements proposed in respect of some of the conditions of service, amenities etc., have been estimated at 39.62 crores of rupees.



## BOOK REVIEWS

*THE BRITISH BUDGETARY SYSTEM;* By SIR HERBERT BRITTAIIN, London, George Allen & Unwin, 1959, 320p.

With the increasing volume and variety of Governmental activities and the reorientation of the Budget into a wider economic setting and the close gearing of financial policy to economic policy, Government budgeting as a special study is assuming greater importance. This book which describes the British Budgetary System and the parliamentary and administrative arrangements that are part of it is, therefore, a welcome contribution. The author is an ex-administrator who has worked within the system for nearly forty years and is well qualified to write on the subject. For the same reason the book is descriptive and expository which enhances its value to students or practitioners of Government budgeting in other countries which may have adopted the model of British parliamentary and administrative arrangements in a large measure.

In an introductory note the author has brought out how there is good ground for treating the terms "Exchequer" and "Consolidated Fund" as synonymous and interchangeable terms and has described the function of the Comptroller and Auditor-General as the "Comptroller-General of the receipt and issue of the Exchequer." There have been conflicting views on the importance of this function of the Comptroller and Auditor-General as Comptroller of Exchequer Issues. Commander Hilton Young in his monumental book "The System of National Finance" observed as follows :

"...now that the responsibility of the Executive to Parliament is

established beyond question, the importance of this particular form of control is far less than what it was, and our respect for an interesting relic of historical controversies should not be allowed to mislead us into supposing that the system of checks on Exchequer issues is of the smallest value in enforcing economy and preventing waste."

Advising the Government of India in 1920 he, however, said :

"The Comptroller and Auditor General is an officer of the House of the Commons; and it is on his verification of Parliamentary authority before authorising any issue from the Exchequer that the House relies to prevent any money from coming into the hands of the spending departments, the expenditure of which has not been authorised by the House. This is an essential part of complete Parliamentary Control."

High authorities in India have been more inclined to agree with the view that with the responsibility of the Executive to Parliament established beyond question, the system is more a relic of historical controversies and is really a fossil buried in the British Constitution. The system while aimed at safeguarding against overdrawal of the total sum granted by Parliament under each vote, affords no check at all over the expenditure of money inside a vote, even if it be on services not contemplated in the budget. Owing to the fiscal arrangement as prevalent in the

U.K. the actual working of this control is simple and as the author says occupies little of the Auditor General's time and attention. Consequently the British with their accustomed respect for tradition do not seem to be worried about these aspects.

In India, with a decentralised system of payments spread over various treasuries and branches of the Reserve Bank or its agents, and a large number of drawing officers operating on any single grant, the position is not so simple and a consideration of the question about the utility of the system is of far more importance than in the U.K. Notwithstanding the fact that the Central Public Accounts Committee in its Third Report dated the 20th December, 1952, recommended that the introduction of a system of Exchequer control was urgently needed, the position still remains as before.

For the same reasons, though in the U.K. the Consolidated Fund is a real fund and not a national account, in India all Government moneys whether properly belonging to the Consolidated Fund (the conception of which was for the first time embodied in the Constitution that came into force from the 26th January, 1950) or outside it (*i.e.*, in the Public Account as it is called) are kept in a single purse and no physical separation of balances between the Consolidated Fund and other moneys, which is a prerequisite for the introduction of control over exchequer issues, has been attempted so far.

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The first chapter is devoted to the timing and Parliamentary setting of the Budget. One would readily agree with the author's view that the present Budget period of one year seems to be as satisfactory as one can devise. The author goes on to describe the evolution of the Com-

mittees of Ways and Means and of Supply, the general debate on the Budget, the Finance Bill—its nature and its passage in the Commons and in the Lords and how the right of granting money in Parliament now belongs exclusively to the House of Commons.

The next chapter deals with the economic background to the Budget and brings out those aspects of statistics which are of primary significance for budget purposes *viz.*, estimates of National Income and Expenditure, table of 'Personal Income and Expenditure' and of 'Distribution of Personal Income according to the range of the individual incomes, before and after tax', and sources of the savings which are necessary to finance the country's investment—savings of private individuals, undistributed profits of companies and the revenue surpluses of the central and local Governments.

Three chapters cover the Revenue and Expenditure sides of the Budget in detail, enumerate the various sources of Revenue, distinguish between Consolidated Fund Services and Supply Services and also expenditure 'above the line' and 'below the line'.

The author then explains how, though not forming part of the Budgetary System, the Issue Department of the Bank of England and the Exchange Equalisation Account have very close relations with the Exchequer and play prominent parts in the management of it.

The various ways of financing the Exchequer, from extra budgetary funds and borrowings from the public and from the Bank are then elucidated.

The chapter on National Debt explains the reasons for borrowing,

the composition of the debt and gives the long and tortuous history of Sinking Funds, and the functions etc. of the National Debt Commissioners.

Two chapters deal with the control of supply expenditure—the preparation and form of estimates, their cash basis, and the procedure for their voting including the system of closures or "guillotines", the evolution of the Select Committee on Estimates and its functions and the description of "Treasury Control". Treasury Control extends not only to the amount to be spent on any given service but also to the precise purposes of the expenditure and to the terms and conditions on which the money may be paid out.

Summarising the Treasury's task the author says "The Treasury's task...is to see that the proposals are reasonable as to purpose, amount and method in the light of current conditions and policies and so far as this can be done in advance—that the purpose can be achieved without waste or extravagance. But on the latter point, it must be realised that once Treasury sanction has been given and Parliament has provided the funds, the responsibility for seeing that the funds are expended properly and prudently lies with the spending department. In exercising its control, therefore, the Treasury will as far as possible avoid intervention in the details of administration, which are the spending department's responsibility. And, throughout its examination of a case, it will be in close consultation with that department." This is indeed of particular interest to us because of the attention this has already received in India which led to the revised arrangements for budgeting and financial control promulgated by the Government of India in August 1958, which was followed up by the Delegation of Powers Rules, 1958.

While commenting on the useful service rendered by the Estimates Committee, the author has drawn attention to the most important point in the Committee's terms of reference *viz.*, "that the policy implied in any Estimate is outside its competence. It could not deal with major matters of policy without encroaching on the powers of the executive government. It ought not in fact to attempt to examine policy without calling Ministers, rather than officials, as witnesses and the proper place for Ministers to explain and justify policy is in the House itself."

Votes on Account, Votes on Credit, Excess votes, Supplementary Estimates and Virement (known in India as reappropriations) are explained and also the system of appropriations-in-aid which does not obtain in this country. The usual provisions of the Consolidated Fund Acts and the Appropriation Acts, and the Constitution and working of the Civil Contingencies Fund are then detailed.

In the chapter on Spending and Accounting, the practice of appointing the permanent Head of the Department as "Accounting Officer", a concept so basic to the British System of Control over public expenditure, and the organisation and function of Finance Branches in every department, the form and basis of Appropriation accounts and the responsibility of the Treasury to prescribe the manner in which each department of the public service shall keep its accounts are dealt with in detail.

The last chapter on Audit traces the evolution of the functions of the Comptroller and Auditor General, explains the nature and extent of his Audit, the close relations that must always exist between the Treasury and the Auditor General, his

relationship with and the functions of the Public Accounts Committee and brings out the interesting fact that the guard himself is, in respect of expenditure for which he is the Accounting Officer, guarded by one of the joint permanent Secretaries of the Treasury. It is perhaps little known that in India also a Finance Ministry official audits the Auditor General's sanctions. While, however, for a partial or "test audit" done by the Comptroller and Auditor

General in the U.K. there is statutory cover by an amending Act of 1921, in India it is more by accepted usages and convention.

The author has not dealt with "Programme and Performance Budgeting" about which one hears so much from American authors.

The Appendices contain useful and interesting material.

M. S. RAMAYYAR

*HISTORY OF THE UNITED STATES CIVIL SERVICE*; By PAUL P. VAN RIPER, New York, Row Peterson, 1958, xvii, 588p., \$7.50.

Through nearly seventeen decades, the Federal Civil Service has grown from an institution of a few hundred employees in 1789, to one which, by January 1958, was able to command in peace time the efforts of some 2,350,000 individuals. The discussion is limited almost entirely to the Civil Service of the Executive branch of the Federal Government. The Civil Services of the Legislative and the Judicial branches have been relatively small in size and unimportant during most of the American historical development and, therefore, receive only casual attention. The military service, the other major segment of the Executive Service, has been of significance, especially since the First World War, and it is treated at somewhat greater length. The experience of the state and local governments is only incidentally referred to.

The most crucial assumption which the author makes is that political, economic and religious factors all interact on one another and are to be considered as co-ordinate factors in shaping the historical development of a people. He expressly rejects the notion of the primacy of the economic factor. It appears to the reviewer, however,

that the history of the Federal Civil Service of the United States shows a powerful imprint of the economic factors. As Professor Turner has shown, American historical development has been powerfully influenced by the existence, for about a century, of what may be termed, an escalator Frontier moving towards the West. It is not possible to understand the pervasive individualism and egalitarianism of American social life, including the elevated position of women, and the triumph and continuance of the spoils system for about half a century, without taking into account the powerful imprint of the Frontier on American life. It has often occurred to the writer, that a fruitful way of understanding the rise of Jainism and Budhism in the sixth century before the Christian era is to view them through the prisms of the Frontier. It may be recalled that both these religions arose in the North East frontiers of India. These religions represented a revolt of the relatively newly settled and the *nouveau riche* as against the older settled portions of the country representing the views of Brahmanical Hinduism.

The history of the United States Civil Service may be divided into

three periods. The first extends from 1789-1829. The second from 1829 to the passage of the Pendleton Act in 1883. The tertiary stage extends from 1883 to the present.

The Federal Civil Service for the first forty years, remained the instrument of, what may not unfairly be termed, as the American upper classes. During this period, the United States public service was one of the most competent in the world. During the Napoleonic period, Bentham, Cobbett and Sydney Smith, praised it as against the contemporary British public service. Jefferson, however, had made a breach in this system by his injection of the doctrine that there should be something of an equal division of offices between the two parties. Therefore, he along with Andrew Jackson, may be considered the founder of the Spoils system in American National politics.

The second period was marked by the accession of Andrew Jackson as President in 1829. At his inauguration, the capital was the scene of an office-seeking mob such as it had never before witnessed. Senator Marcy formulated the spoils politics into a systematic political doctrine. "To the Victors belong the Spoils" became the operative slogan of the day. The Federal Civil Service reached its lowest ebb between 1829-1865. Under Lincoln the spoils system reached new heights. The most complete sweep of the offices thus far was made. For instance, 1,457 out of a total of 1,639 presidential officers were replaced. From 1861-65, the Civil and military offices were exploited for partisan ends. The reviewer, however, is inclined to be skeptical of the assumption of the author that the Civil War could not have been won by the North without a highly partisan exploitation of the patronage at

its disposal, for political generals in the armed forces of the North were not scarce. But with Lincoln's re-election in 1865, he turned the tide. When pressed to sweep the offices anew, he flatly refused. From this decision dates the decline of the spoils system.

The post-Civil War impulse for Civil Service Reform, involving the substitution of a "merit system" for the spoils system, probably came from England where the epochal Trevelyan-Northcote reforms had revolutionized the Civil Service. But if the spoils system symbolized the power of the West, Civil Service reform, in its earlier stages, was strictly an Eastern institution. The central figure in Civil Service reform from 1865-1890 was George William Curtis, a New Englander of puritan stock. The assassination of President Garfield in 1881, by a disappointed office-seeker, was the most dramatic act which strengthened the hands of the reformers. The Pendleton Act of 1883 marks another milestone in the history of the Federal Civil Service.

The Pendleton Act embodied the three great features of the British system of recruitment, namely, competitive examinations, relative security of tenure and political neutrality of the recruits. However, it made some significant departures from the parental system. The American conception of a proper competitive examination for public office differed radically from the British. The Senate, by an amendment to the original bill, instructed the Civil Service Commission, to make its tests "practical in character" and related to the duties to be performed. The Senate and the public were averse to the academic type of tests then in vogue in England. The tests in the United States, therefore, are designed to assess the technical

competence of the candidates as against their general ability which the British tests aim at. By another amendment, entrance at the lowest grade was eliminated. An entrant in the United States, therefore, may enter at any stage of the service. There are no strict age limits, as in England, for entering into the civil service. Promotional examinations were opened to more general competition than had been originally proposed in the bill. The Americans also refused to accept the almost absolute security of tenure of the British system. Therefore, the President's power of removal was not touched. A bi-partisan Civil Service Commission, outside the regular executive departments, appointed by the President with the consent of the Senate, was to administer the system. The highest positions were exempted from the purview of the Act, and were filled by the President with the advice and consent of the Senate.

Prof. Van Riper thinks that these great departures from the British system were justified by American conditions. He says that the United States has evolved, what he terms, "Representative Bureaucracy", that is, a class of officials, which is broadly representative of the Community as a whole and with no barriers to divide the two. He appears to think that the British Civil Service is not representative of the Community it comes from. This may be a questionable assumption. Besides, it raises the old issue as to what is meant by the "nature" of a thing? Is the nature of a thing to be judged from the initial or the final series as Aristotle believed. That is, is the nature of the American Community to be judged by the modal average or by its relatively gifted segment? Was Andrew Jackson a truer representative of the United States or Lincoln, Woodrow Wilson and Franklin D. Roosevelt?

The reviewer would have liked Prof. Van Riper to have seriously addressed himself to the question as to whether history has justified the great departures embodied in the Pendleton Act! Has the Federal Civil Service been able to attract the most gifted elements in the community? As is well known, the most talented elements choose to go to the private business and industrial establishments. Public service, unhappily, does not enjoy the prestige and enhanced status which it enjoys in some of the European countries. The author himself recognizes that, unlike some of the European countries, the United States has been under fewer economic or military compulsions, to systematize and rationalize its governmental and administrative system. Therefore, it has *followed* rather than *led* much of the Western world in the development of a civil establishment on the European model. It is because the American system fails to attract to the national service individuals capable of the type of intellectual effort which has so often been considered the principal achievement of the British and Indian Civil Services, that President Franklin D. Roosevelt was compelled to resort to "ideological patronage"—recruitment of "ideal men" from outside the party ranks and the permanent public service.

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The passage of the Pendleton Act, however, did not mean an end of the patronage system. The author reveals that patronage problems intruded even on the quiet of the funeral train (of President Harding), from Washington to Marion, Ohio. When President Coolidge returned to the capital, he found that he had to give up his usual morning walk because "crafty patronage-seekers" would try to join him. Under Franklin D. Roosevelt, the personnel

of the new agencies established under the New Deal was exempted from the purview of the classified service and was filled on a partisan basis. However, in the years immediately preceding World War II there was an impressive progress of the merit system reforms. The President's Committee on Administrative Management (1937) recommended the extension of the classified service "upwards, outwards and downwards". By 1940 civil bureaucracy had reached unknown peaks of power: Its prestige and power grew with the conception of a positive state. By early nineteen forties, the proportion of the Federal Civil Service under some form of merit system exceeded 90%. For the Federal service as a whole, the percentage declined to roughly 85% between 1943 and 1946, remained reasonably stable thereafter until 1956 and then rose slightly.

Patronage has played an important part in the governmental system of the United States. It was probably a conceptual necessity to mitigate the effect of separation of powers in the political system. Prof. Van Riper estimates that under President Truman, civil patronage proper consisted of 70,000 positions, nearly half of them within the upper and middle levels of the service. The number of offices easily available to the party in power had probably declined to 15,000 by 1952.

The most spectacular change in the social composition of the public service since the Civil War has stemmed from the induction of women into the service. They entered rapidly, especially after the invention of the typewriter which was coming into use about the time of the approval of the Pendleton Act. The employment of women in the public service paralleled in general their increasing entry into private

industry. By 1904, women in the Federal Civil Service constituted 7.5 per cent of the total. Their employment steadily increased till it reached its peak during World War I. Ultimately, more than 20 per cent of the civil service employees were women, compared to between 5 to 10% before the War. The Classification Act of 1923 required that women be paid the same as men for equal work. After the First World War and up to 1940, there continued to be one woman in the service with every four to five men and with about 40 per cent of the service in the District of Columbia consisting of women. However, women have yet to occupy major positions in proportion to their numbers.

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The book is to be recommended. Many of the chapters end with critical bibliographical notes to help the reader to further exploration. The work contains apt cartoons to make the narrative more effective and vivid.

Any history of the civil service, covering nearly two centuries, should also deal with the changing conception of the state and, consequently, of the civil service. However, this subject is only casually treated. The first phase of the positive state came under Woodrow Wilson and the second under Franklin D. Roosevelt. Neither does the writer deal with the departmental or the hierarchical organization of the service. Training of the administrative personnel is a very important aspect of the modern civil service. This subject is also skipped by the author. In fact, there are some important omissions from Prof. Van Riper's History of the United States Civil Service. He is more concerned in tracing the rise and fall of the spoils system than in any well-rounded treatment of the civil service.

Meanwhile, there has been a decline in the morale of the Federal Civil Service after World War II. Under President Roosevelt, the service had basked in the light of social reform and, to a great extent, had been both the object and agent of

that reform. After the War, however, that sense of mission was lost. The civil service bore the burden of its New Deal allegiance and became itself an object of often hysterical attack.

P. S. MUHAR

*ADMINISTRATIVE VITALITY;* By MARSHALL E. DIMOCK, New York, Harper & Brothers, 1958, 298p., \$5.00.

The book 'Administrative Vitality' is based on a study of bureaucracy and enterprise undertaken by the author in large corporations, public and private, in Britain, U.S.A. and Turkey. A number of other research studies on administrative vitality have already been undertaken by the Royal Institute of Public Administration in Great Britain and by the Harvard Research Centre in U.S.A., but the purpose of this book, according to the author, is an attempt to break new ground, to offer some practical suggestions to administrators to combine usefully certain aspects of bureaucracy with factors of enterprise to ensure administrative vitality in business corporations. The author has not only drawn on material from economic history, social psychology, as well as from business administration and public administration bearing on institutional vitality but has also made a case study of the functioning of a number of large-sized business organizations, such as the British Electricity, Marks and Spencer, General Motors and American Telegraph and Telephone Company etc., discussing various aspects of administrative problems and suggesting improvements in the existing pattern.

Bureaucracy is generally used as a term of opprobrium. The English Dictionary defines a bureaucrat 'an official who endeavours to concentrate administrative powers in his own bureau'. Prof. Harold Laski

also applied the term 'to a system of government the control of which is so completely in the hands of officials that their power jeopardises the liberty of ordinary citizens.' Marshall E. Dimock, the author of this book, rejects this view. Bureaucracy whose main elements are hierarchy, specialization, rules and impersonality has good aspects as well as bad ones. Its good aspects are technical know-how, precision of rules and procedures and scientific management of business. Without them goals and policies of administration cannot be realized in practice. It is only when these rules and procedures are carried to an excess that administration is hampered. The negative aspects of bureaucracy are love of power, red-tapism, want of dynamism, rigidity and aloofness, timidity and avoidance of responsibility. Dimock illustrates this from an example from British administration. A century ago in London the first cargo of ice was brought in from Norway on a cold day in March. The authorities were ignorant of the precise rules according to which duty had to be determined. The ice was stacked on the dock near the custom house and conferences were held between Customs, Treasury, the Board of Trade and other officials, but no one claimed jurisdiction. Finally after five months of delay it was decided that it should be classed as dry goods and taxed accordingly. By this time ice had melted and run into the river.

Marshall E. Dimock maintains that bureaucracy is inherent in a large business organization. When large size is attained in a business organization, growth adjustment becomes difficult. Decision and action is slowed down. Formal relations replace personal relations, segmentation hinders overall co-operation. Power is concentrated in the hands of a few top executives and this restricts freedom, experimentation and deviation from rigid rules and procedure. Dimock discusses various theories of decay of living organism and argues that the theories of Plato, Hegel, Marx, Spengler, Weber and Schumpeter regarding the inevitability of decay are inapplicable to the case of human institutions. This is because decay in the latter is caused by determinable factors and it is possible to arrest this by deliberate control over them. Dimock rightly emphasises that all large-scale organisations should be manned by strong, constructive and imaginative leaders. They should not be authoritarian. They should develop human relations approach towards administration. The top executive should develop personal contacts with the employees, explain the objectives and policy of the enterprise and delegate powers in an assigned area of responsibility and also encourage experimentation and innovations. If they help to create a congenial environment for workers, they will make them willing partners in the industry.

Another point emphasised by Dimock is that organizations should adjust their programmes and policies to the needs of the community which they are expected to serve.

By way of illustration where centralization of policy and decentralization of administration have been combined Dimock refers us to the organization and functioning of a British firm, Marks and Spencer,

which caters to the middle class trade and deals in all kinds of consumer goods. They adjust quickly to change and apply a human relations approach in all dealings with employees and consumers.

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Dimock has some useful observations to make regarding lack of administrative vitality in underdeveloped countries. The first reason of lack of progress in these countries is that gifted people are not attracted to industry and agriculture. They rather join the coveted government jobs. The second reason is that administrative personnel have bureaucratic tendencies. This is substantially true in the case of India, where the intelligentsia form a poor opinion of business occupations and prize highly administrative jobs in the government. Secondly, most of the top executives who are at the head of commercial enterprises run by the government still maintain the tradition of administrative centralization and are unwilling to delegate powers to subordinates in an assigned area of responsibility. Dimock has made an able and critical survey of business corporations and has rightly concluded that the best elements of enterprise should be combined with basic elements of bureaucracy to produce a successful and imaginative business undertaking. He, however, adds that the attempt to blend orderliness of bureaucracy with the resourcefulness of enterprise can succeed only if there is a favourable social climate not only in the undertaking but also in the community. This is very true in the case of India where bureaucrats should develop an abiding faith in the basic values of the society they serve and citizens' response to them should also be helpful and co-operative.

There is one serious omission in the treatment of public enterprises by Dimock. Strange enough, he

does not deal with the problem of accountability of public enterprises. Both in England, U.S.A. and in India there is insistent demand for devising practical and effective methods of legislative control over public corporations and for ensuring efficient operation of the enterprises. This should have received consideration by the author.

On the whole, this study would prove to all students of public administration and to administrators interesting and useful. It will provide them food for critical and independent thinking.

RAMESH NARAIN MATHUR

*THE UNIVERSITY TEACHING OF SOCIAL SCIENCES: PUBLIC ADMINISTRATION—A Report prepared for Unesco at the request of the International Institute of Administrative Sciences; By ANDRE MOLITOR, Geneva, Unesco, 1959, 192p.*

This latest study in the Unesco series on "Teaching in the Social Sciences" is, according to the U.N.T.A.A. "a valuable contribution to our knowledge of public administration". Mr. Andre Molitor, Professor at the University of Louvain, Belgium, who has drafted the report, has shown a high craftsmanship in evolving a coherent picture out of the bewildering variety in organisation, methods and contents of teaching of administrative sciences in the thirty-four countries surveyed in the report. Distinguishing between a 'cross-road' discipline and a 'locus' of studies, Molitor supports the view that though the administrative process is characterised by a specific and consistent nature there are "administrative sciences" rather than a science of administration, mainly because no method or way of approach is typical of, or specific to, administrative sciences and for the study of public administration techniques must be borrowed from various existing social sciences. The report further favours that "the study of non-juridical administrative sciences should preferably be attached to political science", because "in public administration, everything converges towards, and is subordinate to, the authority responsible

for achieving the social objects of the community."

The evolution of administrative sciences, we learn, has been neither general nor homogeneous. Tracing its origin and development in the continental countries under German or Austrian influence, in Great Britain, in the U.S.A. etc., the author attributes the development of teaching of administrative sciences to the growth in the scale and scope of administrative services and structures, increased state intervention, the broader problem of general education raised by technological developments and the increasing concern shown by social sciences in recent years with administrative agencies as homogeneous and numerically large social units for purposes of sociological investigations. While the study of the juridical aspects of administrative sciences was dominant till the end of the nineteenth century, the early twentieth century witnessed the contribution of social sciences like political science, sociology, social psychology and cultural anthropology to the administrative process. In recent years there has been a gradual convergence of the juridical and non-juridical administrative sciences with full recognition of the independence of each.

In the field of non-juridical approach the author discusses at some length the four major schools of thought : the classical political theorists; the traditional, descriptive and institutional approach; the behavioural school and the proponents of synthesis. Attention, though inadequate, is also devoted to the comparative study of public administration which is still hardly much developed. The interest in the comparative study has been growing in recent years both for reasons of practical considerations of borrowing from other administrative systems what may be advantageous to national administrations and for the fuller development of the theory of public administration. The inter-penetration between the study of the public and private administrations has been examined in detail and the author feels that though the organisational, sociological and psychological aspects may in some respects be similar and even identical, the difference in the objectives and political factor are basic and irreducible and only a part of teaching in the two fields can be given jointly. The contact between the two fields during post-entry training periods is perhaps more profitable as comparison of the two sectors on the basis of experience is likely to be highly enlightening rather than in terms of theory.

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The survey reveals that there are many factors which go to determine the nature, scope and scale of the teaching of administrative sciences in a country; important among these are cultural and constitutional backgrounds and administrative needs. Molitor is emphatic that it will be fatal to set up an artificial system of education without any real roots in its social and historical environment. In the younger countries it is essential to guard against "the danger of

giving the programmes and the training a too markedly utilitarian bias which is too closely centred on the apparent needs of the various types of administrative positions." It is equally essential that "the outcome of the study of the administrative sciences should be not only a certain professional competence but also a spirit of respect for the rule of law and a proper sense of the general interests." It is therefore of vital importance that the study of specific problem of administration should either be preceded by or blended with a comprehensive general education, at both the universities and allied institutions imparting advanced instruction in administrative sciences and the direct training schools or centres intended exclusively for the post-entry training of civil servants. A sound balancing between general historical, political, economic knowledge and the knowledge of the administrative environment and of the major administrative techniques is essential for developing a keen sense of relative values. A university must also instruct in methods of work and research and further prepare students for a career more or less directly as situation warrants.

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In matters of curricula, teaching methods and equipment and teaching staff, the thirty-four countries surveyed present a great variety. The problem of curriculum is primarily one of adjusting it to the needs and resources of the country; the teaching should progressively vary in breadth and depth according as it is for the first university degree or for a doctorate, and the special subjects of public administration should be only gradually included in the curricula. There is a general tendency towards more flexible and active methods of teaching, which leave increasingly large scope for

individual participation by students. The existing obstacles in regard to finance, shortage of personnel and lack of adequate teaching materials need to be overcome.

While the teachers of administrative sciences need a systematic programme of preparation for teaching work, the foreign teachers borrowed from other countries should avoid the temptation of "intellectual imperialism" and should instead of attempting to transpose their work re-create it in the new conditions of the recipient countries. The teaching faculty should, it is recommended, include a large nucleus of full-time teachers exclusively concerned with teaching and research, and also a few active administrators who would devote a small amount of their time to teaching. "In the field of administrative sciences, contact with the facts examined, *i.e.*, administrative action in all its complexity, is perhaps even more necessary than for other social sciences, because of the very complexity of that action, its rapid rate of evolution, and the multiplicity of its constitutive elements". Nevertheless, the system of part-time teachers is only a makeshift and as disadvantageous to the teachers themselves as to education. Lastly, "if the university teaching of administrative sciences is not to become sterile and a victim of empiricism and set formulas, it must both rest upon and provoke research"—especially, if not exclusively, disinterested research, unconcerned with applications or immediate results. In the absence of such research the university teaching of administrative sciences is likely to have a false start.

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Being primarily in the nature of an international survey, the conclusions of the study show a touch of perfectionism and the readers will

feel, and perhaps rightly so, inclined to agree with most of them. However, the basic premises from which some of these generalisations emerge are highly debatable. Is it fair to deny the administrative sciences the claim to be an independent discipline just because the techniques and methods of enquiry are borrowed from other social sciences? Do not the social sciences largely borrow their techniques from the physical sciences? Again, how far will the proposition of tagging on public administration—even as an institution if not as a process—to political science remain valid with the large expansion of public sector in underdeveloped countries like India in next few decades?

In his highly illuminating analysis, the author, except for a passing reference to "the elaboration of a code of ethics" (p.146) and to the role of some direct training schools in the matter (p.67), does not seem to have devoted any serious attention to the growing impact of the democratic and egalitarian forces in some of the young countries on the responsibilities and attitudes of the administrators towards the public and public interest. In these countries, which have also recently embarked upon plans of development, administration is increasingly assuming a role much broader than that of the execution of Government policies and programme—the role of non-partisan guardianship and promoter of the public interest. The study and development of public administration as a profession has a special significance for underdeveloped countries of Asia which have recently won their political independence if their democratic systems are to survive and deliver the goods.

*Prima facie*, there is therefore hardly any justification why the universities in India should not

prepare (though not train) the students for professional careers in administration as they do in the case of engineering, law and medicine. (Some of the universities in the U.S.A. are increasingly tending to do so.) The fact that the concepts (or principles?) of public administration have a much higher degree of "relativity" than is the case with other sciences does in no way detract from their practical usefulness, nor does also the proposition that there are innumerable alternatives open to an administrator in any situation calling for individual judgment and decision when we consider that the same is more or less true of a lawyer or a doctor. The answer perhaps lies in making the different alternative courses and their implications much more discernible than they are generally at present.

However, at the present stage of development, the existing organisation, methods and contents of the study and teaching of public administration at universities in India and some other young countries require a thorough re-orientation not for purposes of giving them a vocational bent but for making them more realistic in the context of Indian administrative structures and practices, leaving at the same time enough flexibility to meet the local circumstance. The study of "what is" is

of special significance at the present moment to determine "what should be." This calls for the intensification and integration of the present rather uncoordinated and thinly spread-out efforts in regard to the compilation of national basic study materials which should be comprehensive and detailed enough for purposes of a fuller study of the Indian Administration both as an institution and as a process. The past experience, though inadequate, indicates that it would not be possible to accomplish this formidable task without the active co-operation and participation of senior and top administrators, as we do not have in India the advantage of the two major factors which helped the study of public administration in the U.S.A. to develop to its present stature, viz., a high degree of mobility between the universities and the public services and a generous attitude on the part of administrative agencies to make material available for academic studies. The international assistance should therefore preferably be more in the matter of compilation of national studies rather than in the direction of adaptation of foreign text-books and preparation of classical readers and study guides as Molitor suggests.

B.S. NARULA



## BOOK NOTES

*MANAGEMENT IN THE INDUSTRIAL WORLD*—An International Analysis; By FREDERICK HARBISON AND CHARLES A. MYERS, New York, McGraw-Hill Book Company, Inc., 1959, ix, 413p.

Written in a clear and matter-of-fact style, the book is a laudable attempt "to make a wide ranging international analysis" of management development. The book is divided into two parts : Part I is concerned with the formulation of an international concept of management relevant both to industrially advanced and underdeveloped countries. The perspective of management is three-fold : *one*, as an economic resource or a factor of production; *two*, as a system of authority; and *three*, as a class or the elite.

As a resource, management has both quantitative and qualitative dimensions; successful future industrialisation is dependent not only upon the supply of sufficient numbers of highly talented managerial personnel but also upon their proper integration into effective organisation structures.

The systems of authority have a direct bearing on the quality of management and on attitudes and general well-being of individuals directly involved in the industrialisation process. The main patterns of authority are : sovereign personal rule by a single person or a single family; dictatorial or authoritarian management; paternalistic management; constitutional management; democratic or participative management; and management by objectives. Management by sovereign rule is not viable except in small-scale

operations and it tends to disappear in large-scale enterprise in the more advanced countries. As industrialisation proceeds the increase in the scale and scope of activity necessitates a measure of decentralisation; the expectations of industrial workers rise and employers and managers are often forced to become less authoritarian and less paternalistic in dealing with their employees and tend to function as "constitutional" managers. A few move further toward the democratic-participative type of management. The latter is based on the philosophy that free people respond best in an organisation when they can participate in the process of decision-making on matters that directly affect them. The most advanced is "management by objectives", where authority is based upon individual initiative, consent, persuasion, and self-direction toward agreed-upon objectives; but it involves such a radical departure from traditional systems of authority that it is seldom, if ever, achieved in practice.

The managerial elite may be patrimonial, political, or professional, or some combination of the three. In any case, the members of the managerial hierarchy constitute a distinct group. The types of patrimonial or political management which may be appropriate in the early stages of industrial development are incapable of controlling or operating modern large-scale enterprise; the managerial elite therefore becomes an elite of brains; and education and professional training, instead of family or political connections, must become the principal avenues of access to its ranks. The successful organisation builders tend

to become the self-conscious practitioners of the arts of leadership, direction, co-ordination, delegation, and control.

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Part II contains individual essays on 21 countries, *viz.*, India, Egypt, Italy, Israel, France, Chile, Japan, Germany, Sweden, Great Britain, Soviet Union and U.S.A. Attention is concentrated not so much on comparable practices as on the direction in which management development is proceeding in these countries. This general direction is more or less the same; the pace of the march toward industrialism is being accelerated or retarded by certain factors affecting management development; there is, however, little reason to fear that the working masses in modern industrial states will be exploited by the emerging professional managerial class.

In the first essay on "Management in India", Charles A. Myers traces the origins of the patriarchal management in Indian private enterprises to the joint or extended family system and the "managing agency system"; the authoritarianism in the superior-subordinate relationship, we are told, has deeper roots in the Indian culture. Despite the progress made in recent years in the growth of a professional managerial class in foreign firms, in enlightened enterprises in textiles, steel and cement and in public enterprises, and despite the institution of several post-graduate and other educational programmes for business executives, "it is perfectly possible to find the basic philosophy of Indian management still somewhat authoritarian or paternalistic, but the practice of management in dealing with workers, at least, is increasingly 'constitutional'." There is, however, relatively little evidence of any "democratic-participative" management. Further-

more, the special skills and competence of industrial management, as distinct from administration of a government department, are not yet widely understood in some of the public enterprises.

In the last chapter the authors discuss how the foreign firm has proved to be an asset in the industrialisation of the underdeveloped countries and how, as industrialisation proceeds, it creates problems both for itself and for the host country.

**THE APPRAISAL INTERVIEW  
—Objectives, Methods and Skills;**  
By NORMAN R.F. MAIER, New York, John Wiley & Sons, Inc., 1958, xiii, 246p., \$5.95.

Listing the conflicting objectives of appraisal interviews, the author describes in detail the three major methods, each with specific objectives. "Tell and Sell Method" is designed to let the employee know how he is doing, to gain his acceptance to the evaluation and to get him follow the plan outlined for his improvement. This method may meet resistance as it does not provide for upward communication to the supervisor; it is suitable in the case of young and new employees or persons who are easy-going, uncritical and acceptant of authoritarian leadership; it has no intrinsic motivational value. The second method, "The Tell and Listen Method" aims at communicating the evaluation to the employee and allow him to respond to it. The interviewer is in this case a non-directive counsellor and its intrinsic motivational value lies in the employee feeling important and accepted, in clarifying misunderstanding between the supervisor and the subordinate, in promoting mutual respect and initiating a measure of changes about the work methods, job assignments, job expectations and supervision. "The

Problem Solving Approach"—which is the third method—is directed towards employees' development; the interviewer tries to stimulate thinking rather than supply remedies and solutions. Each of these three methods of appraisal calls for different skills. The author further gives the records of six unrehearsed role-playing interviews of a case study, two role-playing interviews for each method. There are interesting chapters on 'Problems Associated with Interview Styles', 'The Problem-Solving Interview and Executive Development', and 'Improving Superior-Subordinate Relations'; the last deals with the problem of delegation, preparing subordinates for delegation and attitudes conducive to problem solving.

*MANAGER SELECTION, EDUCATION AND TRAINING;* By WILLARD E. BENNETT, New York, McGraw-Hill Book Company, Inc., 1959, ix, 210p., \$6.00.

The book is directed to find and discuss answers to the causes of the present paradox in the United States in the matter of the development of managerial personnel—paradox of consuming interest on the one hand and dissatisfaction and uncertainty on the other. The three basic causes listed for this paradox are: (1) failure to provide within the business enterprise a climate that will foster and support the growth and development of the manager; (2) failure to distill from the past experience in developing managers a general theory which will define and identify the principles necessary to an organized, disciplined use of the already abundant supply of training tools and techniques; (3) failure to approach manager development as a long-range, planned activity. Among the major obstacles to the development of managers, mentioned by the

author, are: superficiality of interest in the management development, manager's resistance towards training and change, the finality of promotions, the inroads by staff specialists into the domain of the manager, the conflict in the operating philosophy of the concern and its philosophy about management or executive development, and the inadequacy of salary plans of managerial positions. The author insists that those responsible for organization planning should take great care to make each management position as strong as possible, funnelling authority and responsibility to as low a quarter as is practicable and eliminating staff props and supports wherever practicable. Further, assistant (not assistant to) positions should be created at points where they will be useful and can be made to free the boss from routine decision-making so that he can think and plan ahead and give the assistant an opportunity to acquire fully responsible experience by occasionally stepping into the boss's shoes.

'Manager development' is conceived as a process consisting of three essential components : selection, intellectual conditioning and 'supervised' training. The manager's education must be carried on in a manner that will develop knowledge and wisdom, that will change fundamental attitudes in such a way that "he does not become, or continue to be, an officious, opinionated, dogmatic standpatter." 'Supervised' training should be formally built into every management job. The author then proceeds to discuss an overall plan for management development and the mechanics of its administration; these provide some basic guides for the personnel engaged in training managers and for the policy-level manager who makes decisions about the nature, scope, phasing and assessment of training programmes.

*A MORAL PHILOSOPHY FOR MANAGEMENT;* By BENJAMIN M. SELEKMAN, New York, McGraw-Hill Book Company, Inc., 1959, xii, 219p., \$6.00.

This is in a way a supplement to Professor Selekman's comprehensive study "Power and Morality in a Business Society", published in 1956. Tracing the search for moral philosophy in the American business, prompted by the expanding American democracy, the emergence of a new professional management class and the assumption of growing social responsibilities by the American business since the great Depression of the thirties of the century, the author discusses in detail the implications of the moral and social responsibilities of business, mainly in relation to organised labour and community. Considerable thought is devoted to John R. Commons' work in the field of institutional economics, the three major institutions being the state, the business and the labour union. For the author the large-scale growth of collective bargaining since the past quarter-century which he calls new 'constitutionalism', is a major achievement of the American industrial society and offers a stable basis for taming of raw power of industry and labour and for building up a theoretical framework for containing it. However, constitutionalism by itself is not considered enough; although a business cannot be expected to function as a church or a family or a clinic, human values cannot be ignored without peril. "The great corporation executive, as any great governor of men, is he who so conveys justice and equity in all his bearing that his people know that righteousness prevails within his realm." Prof. Selekman pleads for a maturing of the experience of the past quarter century into a complete realization that business, labour, and government are engaged in a perma-

nent coalition, a combined operation to fulfil the destiny of the moral as well as the material greatness promised at the beginning of the nation.

*THE EXPERT AND THE ADMINISTRATOR;* By JALEEL AHMAD, Pittsburgh, University of Pittsburgh Press, 1959, vii, 45p.

The booklet contains a somewhat detailed theoretical analysis of the factors leading to the emergence of experts in administration, the relationship between experts and administrators and the problems of communication of expert advice upwards in the government departments and of proper role of experts. The expert, through no fault on his part, due to reasons of his own insufficiency—narrow outlook, lack of co-ordinating ability and the treatment of human element as an instrument of production—arising from his expertise, is not equipped for undertaking administrative functions. The administrator, on the other hand, is, by using his faculties of co-ordination and of viewing the problem as a whole in a wider and more comprehensive context, able to integrate the expert advice with considerations of public policies, administrative feasibility, and political, social and economical factors relevant to decision-making in the appropriate context. Here, the author specifically mentions and also seems to tacitly agree, that "there is unanimity of opinion among the writers on public administration...that administration is a distinct activity not wholly contained in what is to be administered."

On the question whether administrative ability is inconsistent with professional competence, there is no statistical or empirical data to prove conclusively either that all scientific and technical men lack administrative ability or that those who have a general academic background are

superior in administrative ability to those who go into professional fields. The proper role of experts is conceived as auxiliary to the role of the administrator, extending not only to giving advice freely but also to contributing to the shaping of policy by setting forth conceivable alternatives in each case and withholding any final judgments or decisions. The expert must understand his limitations and not insist or believe that he alone knows the one best way of doing a thing. The author insists that the expert advice should flow upwards through the formal channels of responsibility, in the interests of unity, uniformity and continuity in administration, and that there is no plausible reason to give an expert less salary or lower status than to an administrative official of comparable qualifications. Towards the end, in surprising contrast to the view expounded earlier, the author points out that the administrator can make effective use of the expert advice "only by a thorough understanding of the nature of the experts' subject or operations (not their content or technique)", because "administration, though not wholly contained in it, is not altogether separate and apart from the activity administered."

Though the author frankly recognises that his analysis is mainly theoretical and that he does not make any original contribution or put forward any new theory, the present study is handicapped by the lack of an empirical orientation. As Dean Stone points out in the Foreword, the present unsatisfactory relationship between the specialists and the administrators arises from the inability of the administrator to function effectively at his level. "The administrator has his own unique role to perform, which is represented by the type and character of the decisions he must make, and for the perform-

ance of his role he needs a specialised competence all his own. Administrators need to be experts in administration, just as specialists must be experts in their speciality."

*JOURNAL OF THE NATIONAL ACADEMY OF ADMINISTRATION*, Mussoorie, National Academy of Administration, January 1960, iii, 198p., Annual: Rs. 5.00.

As a new quarterly periodical devoted to the study of the Indian administrative practice, *Journal of the National Academy of Administration* deserves a hearty welcome. The Academy was set up in 1959, by the merger of the I.A.S. Training School, Metcalfe House, New Delhi, and the I.A.S. Staff College, Simla, with the object of imparting a combined course in foundational subjects to the direct recruits to the Indian Administrative Service, Indian Foreign Service and to certain Central Services, Class I, in addition to providing special training for I.A.S. probationers and refresher courses for I.A.S. officers of 10-15 years' seniority. The Journal is the official organ of the Academy; it has been started by converting the Annual Metcalfe House Journal (which was meant for restricted circulation only) into a quarterly. The purpose of the Journal is to "serve not merely as a clearing house of information but also serve as a forum for discussion for the members of various services."

The present issue contains, in addition to messages of welcome from the Prime Minister and the Director of the Indian Institute of Public Administration and the Principal of the Administrative Staff College of India, illuminating articles. In the first of these, Shri A.N. Jha, I.C.S., the Director of the Academy and the Editor of the Journal, and the Director of Training, Government of

India, traces the developments leading to the establishment of the Academy and discusses its objects and programme of work. Shri C.D. Deshmukh, in "The State of the Administration" pleads for periodical check up of the administrative procedures and machinery and emphasises the need for having at every place at high level a few men who will give a tone and character to the administration. In "The Civil Services Today", Shri R.K. Ramadhyani, I.C.S., discusses how the functioning of civil services on a territorial basis, rather than on a functional one, provides both for centralisation and co-ordination and for adequate decentralisation of functions and authority; the civil service today, he points out, is no longer perhaps the clean steel frame but is more aptly the backbone of the country and the real answer to expedition of business lies not so much in streamlining of procedures as in toning up the human element in administration. In "The New Role of Public Administration", Shri B.

Mukerji, I.C.S., brings out the inter-dependence between the community development movement and the development of democracy; under the new policy of "democratic decentralisation", the district administrative machinery will have a dual role—that of an agency charged with the responsibility of promoting the development of the democratic aspirations of the people and also of functioning as their administrative organ. Shri L.M. Nadkarni, I.C.S., outlines the different approaches to administration—the symphonic, the geographical, the ethical, the aesthetic, the philosophic and the anthropometric.

The Journal also contains two syndicate reports, on "Budgeting the Plan" and "Democratic Decentralisation in India."

The Journal would, it is to be hoped, constitute a valuable addition to the national effort for promoting the study of public administration, in particular in the field of training of civil servants.

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